

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

In the Matter of the Tariff Filing of Aquila,)
Inc., to Implement a General Rate Increase for)
Retail Electric Service Provided to Customers)
in its MPS and L&P Missouri Service Areas.)

Case No. ER-2005-0436

**STAFF'S SUGGESTIONS IN SUPPORT OF
NONUNANIMOUS STIPULATION AND AGREEMENT**

COMES NOW the Staff of the Public Service Commission of Missouri and submits the suggestions following in support of the Nonunanimous Stipulation and Agreement (Stipulation) filed with the Commission in this case January 31, 2006:

1. The Staff is a party to the Stipulation, which resulted from extensive negotiations between not only the parties who signed the agreement, but also non-signatory parties.
2. Although most of the revenue requirement aspects of the settlement cannot be assigned to specific issues, aspects of the settlement are specific. Those aspects of the settlement are related generally below.

Effect on Agreement if Modified or Conditioned by Commission

3. If the Commission does not accept the Stipulation without modification or condition, then, by the terms of the Stipulation (paragraph 21), the Stipulation may neither be used to bar any party from a decision on the merits in this case nor considered as part of the record in this case.

Accounting Authority Order

4. Because this provision of the Stipulation requires a Commission order the Staff addresses it early in its suggestions. As part of the Stipulation (paragraph 17) the Signatory Parties agree Aquila should be permitted to match its natural gas and purchased power hedging

transaction settlements and associated hedging costs with the cost of fuel for accounting and ratemaking purposes and, therefore, as part of this Stipulation, if the Commission accepts the Stipulation, the Commission must grant Aquila an accounting authority order to do so. This accounting authority is acceptable to the Staff and should be implemented by the Commission because it allows Aquila to track the benefits and related costs for its hedging program consistent with how fuel costs are developed and be in compliance with generally accepted accounting principles once the Commission grants the authority. The Staff suggests the following language for the accounting authority order:

Aquila, Inc. is authorized, for accounting and ratemaking purposes, to record in FERC Account 547 or Account 555, as part of fuel cost and purchased power cost, hedge settlements, both positive and negative, and related costs (e.g. option premiums, interest on margin accounts, and carrying cost on option premiums) directly related to natural gas generation and on-peak purchases power transactions made under a formal Aquila Networks—MPS hedging plan when the hedge arrangement is settled. Aquila shall maintain separate accounting in FERC Accounts 547 and 555 to track the hedge settlements and related costs. As required by Financial Accounting Standard No. 133, Aquila shall continue to record these hedge settlements and related costs on a Mark-To-Market basis and make an offsetting regulatory asset or regulatory liability entry in FERC Account 182.3 (asset) or FERC Account 254 (liability) that recognizes the change in the timing of value recognition under Financial Accounting Standard No. 71. There shall be no rate base treatment afforded to the hedging settlements and related costs recorded on the Mark-To-Market basis.

No True-Up

5. If the Commission accepts the Stipulation without modification or condition and orders it implemented, as agreed by the parties in paragraph 7 of the Stipulation no true-up proceedings need be held and, other than granting the accounting authority order contemplated in paragraph 17 of the Stipulation, approving tariffs conforming to the illustrative tariff sheets and establishing the date the tariff sheets are effective, no further action of the Commission will be required in this case. However, if the parties are unable to agree to costs for Aquila's South

Harper Station through October 31, 2005, as contemplated in paragraph 6 of the Stipulation, the Commission will be asked to resolve that issue.

Conduct of Settlement Negotiations

6. During the negotiations that culminated in the Stipulation, all parties in the case had opportunity to provide input and participate in the negotiation at any time. Numerous drafts preceding the final agreement were circulated to all parties in the case. A number of parties in the case who ultimately did not sign the Stipulation actively participated in the negotiations which culminated in the Stipulation, and as a result multiple provisions in the Stipulation were worded as they are in response to input from nonsignatory parties.

Pending Commission Cases within Scope of Settlement

7. The Stipulation does not address the issues in Case No. HR-2005-0450, Aquila's general steam heat rate increase case; however, it does address all issues presented to the Commission for decision in both Case Nos. ER-2005-0436 (Aquila's general electric rate increase case) and EO-2002-384 (Aquila's class cost of service / rate design case).

8. The Stipulation also addresses the complaint case brought by the Office of the Public Counsel against Aquila relating to funding of Aquila's VEBA trust. At paragraph 11 of the Stipulation, the Signatory Parties recite Public Counsel's representation his office will dismiss the complaint, Case No. EC-2006-0171, if Aquila funds the trust in the amount of \$1.4 million on the date a Commission order dismissing Case No. EC-2006-0171 become effective, final and not subject to court review, and that the Office of Public Counsel will not refile its complaint, unless Aquila fails to so fund the trust.

The Office of the Public Counsel's Complaint is based on the adequacy of Aquila's funding of its VEBA trust. Staff's position was that Aquila needed to contribute \$7,017,530 to

fund Aquila's FAS 106 obligation, for both Aquila Networks—MPS and Aquila Networks—L&P, through December 31, 2005. Aquila contributed this amount in December 2005. Adequate funding in the future is addressed by Aquila's commitment to make annual contributions equal to the amount of the FAS 106 calculation for that same year. This commitment is reflected in paragraph 10 of the Stipulation and Agreement and is addressed in these suggestions below in paragraph 21.

The \$1.4 million additional contribution by Aquila under the Stipulation is related to a FAS 106 curtailment that occurred in 2001. It is the Staff's position the FAS 106 curtailment cost was never collected in rates and, therefore, Aquila should not be required to immediately fund the \$1.4 million. However, as part of the amortization of transition costs, addressed in paragraph 12 of the Stipulation and below in paragraph 18 of these suggestions, the Staff's position was that Aquila should collect the \$1.4 million in rates through a 10-year amortization, i.e., \$144,000 annually for ten years beginning with the effective date of new rates in this case.

The Office of the Public Counsel was of the view Aquila has already collected the \$1.4 million from ratepayers. As part of the settlement, Aquila has agreed to contribute the \$1.4 million into the VEBA trust in a lump sum in the near futures. The Staff does not oppose Aquila contributing an additional \$1.4 million into the VEBA trust immediately rather than over a ten-year period of time. In the Staff's view Aquila will recover the contribution, \$144,000 annually, from ratepayers beginning with rates that will result from this case.

Revenue Requirement

9. Aquila, Inc. initiated a general electric rate increase case on May 24, 2005 by filing with the Commission tariff sheets it designed to produce, exclusive of gross receipts, sales, franchise and occupational taxes, an additional \$69.2 million in gross annual revenue from

Aquila Networks—MPS customers (20.3% increase) and an additional \$9.4 million in gross annual revenue from Aquila Networks—L&P electric customers (9.4% increase).

10. The illustrative tariff sheets of the Stipulation are designed to produce, exclusive of gross receipts, sales, franchise and occupational taxes, an additional \$38.5 million in gross annual revenue from Aquila Networks—MPS customers (11.27% increase) and an additional \$6.3 million in gross annual revenue from Aquila Networks—L&P electric customers (6.35% increase). These increases are acceptable to (SIEUA, AGP, FEA) or do not cause the representatives of those customers who will bear the cost of these increases to oppose this agreement (namely Public Counsel and AARP). These increases are within the range of what the Staff anticipates would have been the Staff's post true-up case, although the Staff did not finalize any true-up of its case. For these reasons, the Staff supports the increases.

Rate Design

11. The illustrative tariff sheets are also designed to implement the following interclass shifts in revenue responsibilities, calculated on an overall revenue neutral basis to Aquila before calculation of the rate increase: 2.00% increase in the rates of the Aquila Networks—MPS residential class rates, 2.23% increase in the rates of the Aquila Networks—L&P residential class rates, 4.00% decrease in the rates of the Large Power Service classes of both Aquila Networks-MPS and Aquila Networks-L&P, and 3.07% decrease in the Aquila Networks—MPS Large General Service class rates. After calculation of the interclass revenue shifts, the rate increase is implemented by increasing each rate component by the same percentage. Because, the Staff's class cost-of-service studies in Case No. EO-2002-384 show residential customers of both Aquila Networks—MPS and Aquila Networks—L&P are underpaying by more than 3% and large customers of both Aquila Networks—MPS and Aquila

Networks—L&P are paying too much in relation to the cost to serve these customer classes, the Staff supports these interclass revenue responsibility shifts.

12. While not the subject of a specific provision in the Stipulation, the illustrative tariff sheets are also designed to implement the following rate design changes (the Staff explains why it supports each change immediately following the description of the change):

a. MPS Residential – Other Use

Adds a new rate schedule (MO815), Tariff Sheet No. 52, which is similar to the existing L&P Residential - Other Use rate schedule (MO915). This rate schedule applies only to separately-metered well pumps, barns, machine sheds, workshops, etc. While the rates for this usage will be similar to the rates currently charged for these uses, sales tax will not be collected under this new residential rate schedule. It is appropriate to identify and bill this type of separately-metered usage at a rate level similar to that which would apply if the same type of use was for a commercial purpose.

b. L&P Residential Water Heat

Cancels the L&P Residential Water Heat rate schedule (MO913, MO914), Tariff Sheet No. 20 and moves those customers onto the L&P Residential General Use rate schedule (MO910,MO911), Tariff Sheet No. 18. Aquila Networks - L&P is the only regulated Missouri electric utility that still has a separate rate schedule for residential customers with electric water heaters. It is appropriate to eliminate this rate schedule because there is no cost justification for charging a lower rate for this usage. Customers currently on this schedule will experience an increase in rates.

c. MPS Small General Service – Without Demand Meters

Cancels the MPS rate schedules: School and Church (MO740), and Municipal Water Pumping, Park and Recreation (MO800, MO810, MO811), Tariff Sheets No. 62, 63, 64, & 65 and moves those customers on those schedules onto MPS Small General Service rate schedule (MO710), Tariff Sheet No. 53. The rates for those customers being moved onto MPS Small General Service rate schedule (MO710), Tariff Sheet No. 53, will increase. The canceled rate schedules have been “frozen” (i.e., unavailable to new customers) for many years. In order to equalize the rates paid by “new” customers and “old” customers, the Staff supports eliminating any subsidy to “old” customers.

d. MPS Small General Service – Short Term Service

Adds a new rate schedule (MO728), Tariff Sheet No. 53. Adding this schedule will not affect customer bills. The rates are the same as the rates for the non-demand Small General Service rate schedule. The primary reason for establishing this separate rate schedule is to improve the quality of data analysis by segregating data on these customers’ usage for special events including carnivals, circuses, fairs, and/or festivals and by builders, contractors, and/or developers constructing residential, commercial or industrial sites prior to occupancy from “regular” Small General Service customers.

e. MPS Small General Service – Demand Metered, Primary Voltage

Freezes the availability of the existing MPS Small General Service – Demand Metered, Primary Voltage rate schedule (MO716), Tariff Sheet No. 54, to service to existing customers only. This is not a “general application” and should not be

available to new customers, except in unique, special circumstances by special contract.

f. L&P Small General Service – Limited Demand

Cancels the L&P Small General Service-Limited Demand rate schedules, Electric Space Heating (MO932), Tariff Sheet No. 25, and Churches & Schools (MO934) Tariff Sheet No. 27, and moves those customers onto L&P Small General Service- Limited Demand rate schedule (MO930), Tariff Sheet No. 23. This is a “housekeeping” matter and has no effect on any customer because the rate components are identical on each of these rate schedules.

g. L&P General Service – Short Term Service

Adds a new rate schedule (MO928), Revised Tariff Sheet No. 25. Adding this schedule will not affect customer bills. The rates are the same as the rates for the non-demand Small General Service rate schedule. The primary reason for establishing this separate rate schedule is to improve the quality of data analysis by segregate data on these customers’ usage for special events including carnivals, circuses, fairs, and/or festivals and by builders, contractors, and/or developers constructing residential, commercial or industrial sites prior to occupancy from “regular” Small General Service customers.

h. L&P Small General Service – with Space Heat

Cancels the L&P Small General Service-with Space Heat rate schedule (MO933), Tariff Sheet No. 26 and moves those customers onto the L&P Small General Service-General Use rate schedule (MO931), Tariff Sheet No. 24. The current rate schedule was designed to limit the impact on customers from rate structure

changes in the last rate design case affecting what are now Aquila Networks—L&P customers. The continued subsidy should be eliminated.

i. Special Contract – Modine Manufacturing Company

Cancels rate schedule (MO919), Tariff Sheet No. 72 and moves the customer to MPS Large Power Service-Secondary rate schedule (MO730), Tariff Sheet No. 59. This change is neutral to slightly beneficial to the customer and is really a housekeeping matter.

These changes were proposed by Aquila in Case No. EO-2002-384, and for the reasons set forth above, were acceptable to the Staff in both Case No. EO-2002-384 and this case, Case No. ER-2005-0436.

Interim Energy Charge Termination

13. In Aquila's last general electric rate case, Case No. ER-2004-0034, as part of the parties' unanimous agreement, the Commission implemented an interim energy charge for both Aquila Networks—MPS and Aquila Networks—L&P customers until 12:01 a.m. April 20, 2006. Part of that interim charge was the possibility of refunds to those customers after the termination of the interim energy charge. Based on energy costs as of October 31, 2005 the Staff believes Aquila Networks—L&P customers likely would be entitled to refunds, but that Aquila Networks—MPS customers would not. If the refunds were calculated as of October 31, 2005, not April 20, 2006, the Staff believes the total amount refunded would be about \$1.4 million. In lieu of the likely refund, customers of Aquila Networks—L&P were willing to accept, and Aquila was willing to give, one-time credits totaling \$1.0 million to customers of Aquila Networks—L&P; therefore, the issuance of the customer credits aggregating \$1.0 million in lieu of a prudence review and likely credit determined under the interim energy charge provisions of

the unanimous stipulation and agreement in Case No. ER-2004-0034 is acceptable to the Staff. As stated in this Stipulation, the credits will begin issuing within 90 days of the effective date of the new tariff sheets contemplated in the Stipulation.

Generating Facility Value

14. As stated in the Staff's prehearing brief, in 1993 the Missouri Court of Appeals for the Western District upheld the Commission's rejection of a water supply contract and imputation of a utility-owned water storage facility for purposes of the value of utility property to be considered in setting rates.¹ In this case the Staff imputed a generating facility capable of generating 500 MW in lieu of the about 300 MW South Harper facility Aquila built near Peculiar, Missouri and Aquila's purchase of about 200 MW of short-term capacity.

In paragraph 6 of the Stipulation the Signatory Parties agree the rates agreed to in the Stipulation support a rate base value of about \$140 million for 315 MW of generation with a true-up of that amount based on actual costs Aquila incurred through October 31, 2005 in constructing its South Harper Generating Station near Peculiar, Missouri. In addition, in paragraph 6, Aquila agrees it will not seek an allowance greater than the depreciated value (including deferred taxes) of such an asset plus any capital additions booked to the South Harper Generating Station for expenses and liabilities incurred after October 31, 2005 at the time it seeks rate relief. Nothing in the Stipulation obligates any party to include the South Harper Generating Facility in rate base, in this case or in any future case.

As indicated above, and in the Staff's prehearing brief and prefiled testimony, the Staff included in rate base in its case the cost of a new five combustion turbines generating facility capable of generating at least 500 MW of electricity. For the costs of that facility to be included

¹ *State ex rel. Capital City Water Company v. Missouri Public Service Commission*, 850 S.W.2d 903 (Mo. App. 1993).

in rate base, the Staff used what it determined would be the prudently incurred costs of building the South Harper Generating Station, if lawfully built, for the costs of about 300 of the 500 MW combustion turbine generating facility costs the Staff imputed to Aquila and then the Staff added the costs of installing two additional combustion turbine units capable of generating a total of at least 200 MW to arrive at the amount the costs it determined to include in Aquila's rate base for the new generating facility capable of generating 500 MW that the Staff imputed to Aquila. Thus, while the Staff did not directly include Aquila's South Harper Generating Facility in the Staff's determination of Aquila's rate base, the Staff did use what would be the prudent costs Aquila incurred in building the South Harper Generating Facility as the Staff's basis for part of the costs of the new generating facility Aquila did not build, but which the Staff imputed to Aquila.

While it is the Staff's present intent to continue to impute to Aquila a generating facility built and in operation by the summer of 2005 with five combustion turbine units capable of generating a total of at least 500 MW, nothing in the Stipulation obligates the Staff to do so; however, the Stipulation does limit the costs Aquila may seek in rate base for the South Harper Generating Station. As set out in paragraph 19 of the Stipulation, except where specifically provided in the Stipulation, the Signatory Parties have not "approved or acquiesced in any ratemaking or procedural principle" nor have they prejudiced or bound themselves in any manner in this or any other proceeding.

Commercial Operation Date To Be Used For Determining Allowance for Funds Used During Construction, Test Power and Depreciation Associated with Generating Units

15. Paragraph 13 of the Stipulation also refers to the South Harper Generating Station. The Staff used the dates of June 30, July 1 and July 12, 2005 for South Harper Units 3,

2 and 1, respectively, for when test power costs and allowance for funds used during construction ended, and for when depreciation began for each unit in determining what would be the prudently incurred costs of building about 300 of the 500 MW of combustion turbine facility costs. In paragraph 13 Aquila (1) agrees to these dates and treatment of costs for these units, (2) agrees, for future generating units, the date a new generating unit is first turned over to the system operator for dispatch establishes when test power and allowance for funds used during construction end and depreciation of the unit begins, and (3) the date a new generating unit is first turned over to the system operator for dispatch may not be the date the generating unit satisfies the “fully operational and used for service” standard of Section 393.135, RSMo., but it cannot be later than the date the generating unit meets the “fully operational and used for service” standard of Section 393.135, RSMo. These agreements should reduce the scope of future rate case disputes with Aquila over test power costs and allowance for funds used during construction includable in rate base and the amount of depreciation recoverable from ratepayers.

The Staff submitted testimony that while these units met its engineering criteria to be “fully operational and used for service” as required by Section 393.135 RSMo., the Staff does not consider South Harper Units 1, 2 and 3 “fully operational and used for service” because of the legal situations surrounding the site.

Allowance for Funds Used During Construction

16. In paragraph 15 of the Stipulation the Signatory Parties agree to certain principles for the determination of the amount of the allowance for funds used during construction of future construction projects Aquila undertakes. They agree that for Aquila’s share of the new construction costs at the Iatan 1 (environmental upgrades) and Iatan 2 (new unit) generating units the rates allowed for funds used during construction will be those of the Term Loan Agreement

made part of the record in Aquila's financing case for participation with Kansas City Power & Light Company in making emissions upgrades to Iatan Unit 1 and building Iatan Unit 2, Commission Case No. EO-2005-0293. Aquila also agrees that for all other new construction, it will follow the plant instruction for the rates allowed for funds used during construction set out in FERC's Uniform System of Accounts employing a 10% return on equity and Aquila's consolidated corporate capital structure, and subtracting the outstanding balance and related interest on the Term Loan Agreement referenced in the preceding sentence.

This paragraph of the Stipulation specifies the process Aquila is to use to determine the amounts of the additional costs Aquila can add to its construction project costs while the rates in this Stipulation are in effect. These amounts are added to project costs to reflect the capital costs (i.e. interest and profit) associated with the projects. This paragraph of the Stipulation provides certainty as to how these amounts will be calculated until Aquila's next rate case. Therefore, the Staff supports this provision.

Energy Efficiency and Weatherization Programs

17. As part of this Stipulation, in paragraph 5, Aquila agrees to increase its annual funding of energy efficiency and weatherization programs, none of the costs of which were considered in cost of service for purposes of this settlement, to the following:

a. Weatherization	\$108,000
b. Commercial Audits	\$60,000
c. Change-A-Light	\$25,000
Total:	\$193,000

As it agreed as part of the Unanimous Stipulation and Agreement the Commission approved in Aquila's last general electric rate increase case, Case No. ER-2004-0034, Aquila shareholders have been providing a total of \$93,500 annually for energy efficiency programs²; therefore, in this Stipulation Aquila shareholders are agreeing to increase the funding by \$99,500 annually. Through the prefiled rebuttal testimony of Staff witness Lena Mantle, the Staff stated its position in this case that, although Aquila had not satisfied the Staff with its resource planning process, the low-income weatherization program was important and the other two programs were likely to be cost effective for ratepayers so they should be funded at the levels set out following, with one-half of the costs of the programs recovered from Aquila's ratepayers through rates.

a. Weatherization	\$108,000
b. Commercial Audits	\$75,000
c. Change-A-Light	\$40,000
Total:	\$223,000

Both the Department of Natural Resources and the City of Kansas City accept the funding levels set in the Stipulation; therefore, as part of the overall settlement of this case, they are acceptable to the Staff as well.

St. Joseph Light & Power Company Merger Transition Costs

18. In paragraph 12 of the Stipulation, as part of the agreement, Aquila commits not to seek rate recovery of additional transition costs associated with its merger with St. Joseph Light & Power Company beyond the annual amortization amount it agreed to with the Staff. The Staff and Aquila agreed to Aquila recovering transition costs totaling \$3,148,860 for Aquila

² \$50,000 of this funding was designated for a low-income weatherization program administered by the City of Kansas City.

Networks—MPS and \$1,061,810 for Aquila Networks—L&P, amortized over a ten-year period; therefore, the annual amortization amounts are \$314,886 for Aquila Networks—MPS and \$106,181 for Aquila Networks—L&P. In the case in which Aquila, Inc. (then UtiliCorp United, Inc.) obtained Commission authorization to acquire St. Joseph Light & Power Company, Case No. EM 2000-0292, the Staff took the position that the transition costs—the costs incurred to merge the two utility operations—associated with the merger, to the extent demonstrated savings resulting from the merger met or exceeded the transition costs, should be recoverable from ratepayers. The Staff still supports that position. The ability Aquila gained to jointly dispatch more generating units, i.e. those it obtained from St. Joseph Light & Power Company, to serve customers of both Aquila Networks—MPS and Aquila Networks—L&P results, both by the Staff's and Aquila's use of a joint dispatch assumption in determining fuel and purchased power costs, in savings more than the foregoing transition costs the Signatory Parties agree to in the Stipulation. Therefore, the Staff supports these transition costs and amortizations and recommends the Commission accept them.

Depreciation Rates

19. In this Stipulation the Signatory Parties agree, in paragraph 8, to use the depreciation rates the Staff developed in accordance with the Commission's recent decisions in Case Nos. GR-99-315 and ER-2004-0570 and proposed through Staff witness Gregory Macias; therefore, the Staff supports these depreciation rates.

Pensions

20. As it did in its last general electric rate increase case before this Commission, Case No. ER-2004-0034, as part of the Stipulation (paragraph 10) Aquila agrees to use the ERISA minimum contribution for determining pension cost for ratemaking purposes. Any

difference between Aquila's actual minimum contributions and the amount included in cost of service in this case will be tracked and accumulated in a regulatory asset and/or liability account which will be amortized over five years in Aquila's next rate case. This tracking mechanism will ensure that Aquila recovers the necessary contributions to adequately fund its pension plan. The change from FAS 87 to the ERISA minimum contribution necessitates an amortization of a portion of the existing prepaid pension asset. That existing prepaid pension asset represents negative pension cost flowed back to ratepayers in prior years. A negative pension cost, which can occur under FAS 87, will no longer occur under the ERISA contribution method.

OPEBs

21. In the Stipulation, in the last sentence of paragraph (10), Aquila agrees to the Staff's position that Aquila needs to annually fund its VEBA trust (other post employment benefits—other than pensions) in the amount of the FAS 106 calculation for the year in question. Therefore, by December 31 of each year Aquila must fund its VEBA trust by the amount of the FAS 106 calculation for that same year.

Tax Study

22. Aquila agrees in paragraph 9 of the Stipulation to continue the study of its Aquila-Networks—MPS division to obtain detailed information needed to evaluate the Staff's method for determining regulated income tax expense for Missouri ratemaking purposes that Aquila committed to undertake as part of the Unanimous Stipulation and Agreement the Commission approved in Aquila's last general electric rate case, Case No. ER-2004-0034.

Fuel Study

23. In paragraph 16 Aquila commits to studying the economic and operational issues associated with fuel alternatives for its Sibley and Lake Road generating stations, including

petroleum coke, tire-derived fuel and other fuels, and allowing interest parties to provide input. The Staff supports Aquila evaluating alternative fuel sources for generation.

Tariff and Implementation

24. In the Stipulation at paragraph 2 the Signatory Parties agree to a goal of tariff sheets conforming to the illustrative tariffs being effective by March 1, 2006, or as soon thereafter as the Commission deems appropriate, and they agree the Commission, if it accepts the Stipulation, should at the same time authorize Aquila to file tariff sheets conforming to the illustrative tariff sheets with effective date of less than thirty (30) days after the filing date. Because the Staff's analysis is that Aquila is entitled to the rate increase the signatory parties agree to in the Stipulation, the Staff supports implementation of the rate increase before the operation of law date in this case—April 21, 2006.

Moratorium and Agreement to File General Electric Rate Case

25. Unlike most agreements resolving rate cases, the Stipulation, in paragraph 14, not only establishes a period during which Aquila may only file a rate case due to extraordinary circumstances—through June 30, 2006, it also obligates Aquila to initiate a rate case within two years of the effective date of the tariff sheets implementing the Stipulation. The Signatory Parties agree the availability of a fuel adjustment clause as a result of Section 386.266 RSMo (Senate Bill 179), or rules promulgated pursuant thereto, is not an extraordinary event for purpose of filing a rate case before July 1, 2006.

Waivers and Limitation of Scope of Effect of Agreement

26. The Stipulation includes the typical provisions that it is being entered into solely for resolution of the issues in the cases, that does not constitute approval or acquiescence of any party to any ratemaking or procedural principle and that it is not binding, except as expressly

specified in the agreement. Further, if the Stipulation is accepted by the Commission, the Stipulation provides for the typical waivers of further contested proceedings and judicial review, and that the testimony prefiled in this case may be made part of the record in the case without the witnesses taking the stand.

WHEREFORE the Staff submits the foregoing Suggestions in Support of the Nonunanimous Stipulation and Agreement filed January 31, 2006 in Case No. ER-2005-0436.

Respectfully submitted,

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Certificate of Service

I hereby certify that copies of the foregoing have been mailed, hand-delivered, transmitted by facsimile or electronically mailed to all counsel of record this 7th day of February 2006.

/s/ Nathan Williams

Nathan Williams