

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)	<u>Case No. ER-2005-0436</u>
Retail Electric Service Provided to Customers)	Tariff No. YE-2005-1045
in its MPS and L&P Missouri Service Areas.)	

ORDER GRANTING INTERVENTION,
GRANTING ADMISSION *PRO HAC VICE*,
AND ADVISING PARTIES OF PROCEDURES
ESTABLISHED FOR TELEPHONIC PARTICIPATION
IN THE PREHEARING CONFERENCE

Issued Date: June 24, 2005

Effective Date: June 24, 2005

On May 24, 2005, Aquila, Inc., which does business as Aquila Networks – MPS and as Aquila Networks – L&P, submitted to the Missouri Public Service Commission certain proposed tariff sheets, Tariff File No. YE-2005-1045. The purpose of the filing, according to Aquila, is to implement a general rate increase for retail electric service provided by the Company in its MPS and L&P service areas. Aquila states that the new retail electric service rates are designed to produce an additional \$69.2 million in gross annual electric revenues excluding gross receipts, sales, franchise, and occupational taxes in its MPS service area, a 20.3% increase over existing revenues, and \$9.4 million in additional gross annual electric revenues in its L&P service area, exclusive of gross receipts, sales, franchise, and occupational taxes, a 9.6% increase.

The Commission issued its Suspension Order and Notice on May 31, setting Monday, June 20, 2005, as the deadline for applications for intervention.

On June 1, the Sedalia Industrial Energy Users Association (SIEUA) filed its application to intervene. SIEUA states that it is an unincorporated voluntary association consisting of large commercial and industrial users of natural gas and electricity in Sedalia, Missouri, and in the surrounding area. SIEUA was formed for the purpose of economical representation of its members' interests through intervention and other activities in regulatory and other appropriate proceedings. SIEUA states that its current members are Pittsburgh Corning Corporation, a manufacturer of cellular glass insulation employing approximately 160 persons in Sedalia; Waterloo Industries, a manufacturer of tool storage equipment that employs approximately 650 persons in Sedalia; Hayes-Lemmerz International, a manufacturer of automobile wheels that employs roughly 800 persons in Sedalia; EnerSys, Inc., a manufacturer of industrial batteries employing some 500 persons in Warrensburg; Alcan Cable Co., a manufacturer of aluminum electrical conductors employing about 250 persons in Sedalia; Gardner Denver Corporation, whose 320 employees manufacture industrial compressors and blowers in Sedalia; American Compressed Steel Corporation, which employs 35 workers in scrap metal recycling near Sedalia; and Thyssen Krupp Stahl Company, a major manufacturer of specialty and precision aluminum castings at Warrensburg and Kingsville, employing approximately 1,100 workers. As to its position with respect to the rate increase proposed by Aquila, SIEUA states:

. . . it is opposed to discriminatory pricing of electricity and related utility services, is opposed to increases that are not reasonable and are not related to prudent costs that are incurred by the utility in providing utility service, and is opposed to a utility being permitted to earn what may be an unreasonably high rate of return in order to extricate itself from a financial situation of its own making. Moreover, utility ratepayers are not understood by SIEUA to be the ultimate guarantors of a utility's financial health. Rather utility management

should be accountable to its shareholders for the proper and prudent management of the assets that they have provided for public service.

Also on June 1, AG Processing, Inc. (A Cooperative) ("AGP"), filed its application to intervene. AGP states that it is an agricultural cooperative and a large manufacturer and processor of soybean meal, soy-related food products, and other grain products throughout the central and upper Midwest, including the state of Missouri. AGP states that it is the largest cooperative soybean processing company in the world, the third-largest supplier of refined vegetable oil in the United States and the third-largest commercial feed manufacturer in North America. AGP states that it operates a major processing facility in St. Joseph, Missouri, where it is a major industrial electrical customer of Aquila, Inc., doing business as Aquila Networks L&P. AGP believes that it is the largest electric customer of Aquila in the L&P service territory. As to its position with respect to Aquila's proposed rate increase, AGP offers a statement identical to that quoted at length above for SIEUA.

On June 10, the City of Kansas City, Missouri, applied to intervene. Kansas City states that it is a municipality of the state of Missouri and that it is itself a large consumer of energy supplied by Aquila. Kansas City states that it is interested in the impact of any decisions in this proceeding on behalf of itself and its residents and businesses. Kansas City states that it is presently unsure of its position on the proposed rate increase.

On June 16, The Empire District Electric Company applied to intervene, stating that it is a Kansas corporation headquartered at Joplin, Missouri, an "electrical corporation" and a "public utility" authorized to provide electric service pursuant to Commission approved tariffs in its service area in southwest Missouri. Empire states that Aquila may become the first Commission-regulated electrical corporation to put into place a fuel adjustment mechanism pursuant to a statute passed in the most recent legislative session

by the Missouri General Assembly and that it is interested in the development of such a mechanism and the proper application and interpretation of the statute. Furthermore, Empire states that it has an interest in the Commission's treatment of the depreciation of Aquila's plant.

On June 17, the United States Federal Executive Agencies ("FEA") applied to intervene. The FEA consists of the Department of Defense and other agencies of the United States government that have offices, facilities and installations in Aquila's Missouri service areas that purchase energy from Aquila. The FEA states that the Department of Defense has been delegated authority by the General Services Administration and the Department of Energy to represent, through Department of the Air Force counsel, the consumer interest of the FEA in this proceeding under 40 U.S.C.A. 481(a)(4) and 486(d). Chief among these Federal customers in this case is Whiteman Air Force Base near Knob Knoster, which spends about \$3,600,000 per annum for utility services provided by Aquila. The FEA states that electricity costs represent one of the largest variable expenses of operating the federal offices, facilities and installations on whose behalf intervention is sought herein, and all will be affected by any action this Commission takes in this docket. The FEA further states that its members request intervention solely in their proprietary capacity as customers of Aquila and not in the sovereign capacity of the government of the United States. At this time, the FEA is unsure about its position in this case, but will likely oppose to some extent, the requested increase sought by Aquila. The counsel filing this petition is the duly authorized representative of the FEA in Aquila's service area.

Additionally, FEA's counsel, Major Craig Paulson of the United States Air Force, seeks admission *pro hac vice*. In support of his motion, Paulson states that he is a

member in good standing of the bars of the states of Texas and Minnesota; that he is not under any discipline in either of those states, that he has paid the required fee to the Clerk of the Supreme Court of Missouri, and that he has associated with local counsel.

On June 20, the Energy Center of the Missouri Department of Natural Resources ("DNR") applied to intervene. DNR states that the Energy Center will be looking at the proposed filing from a formal policy and planning perspective as well as looking at the potential impacts on environmental quality. In particular, the Energy Center will look at the proposed filing to assess the commitment by the Company to provide low or no cost weatherization to low income families and energy efficiency programs on a state-wide basis. The Energy Center's review also will be in relation to the mandate set forth in Section 640.150, RSMo. The mandate set forth in the statute includes planning for energy resource development; analyzing energy management issues; consulting and cooperating with all state and federal governmental agencies on matters of energy research and development, management, conservation and distribution; assessing the potential impacts on environmental quality; and analyzing the potential for increased use of energy alternatives and making recommendations for the expanded use of such alternate energy sources and technologies. DNR states that the Energy Center takes no position on the filing, "but would welcome the opportunity to work with the Company, Staff and OPC to explore whether the Company is interested in developing programs that have meaningful benefits to consumers and the environment."

Also on June 20, the City of St. Joseph filed its application for intervention. St. Joseph states that it is a municipality of the state of Missouri. St. Joseph states that it is

a large consumer of energy supplied by Aquila and that it is interested in the impact of any decisions in this proceeding on behalf of itself and its residents and businesses.

No one has opposed any of these applications to intervene. The Commission will grant these applications. The Commission will also grant Major Paulson's motion for admission *pro hac vice*.

IT IS THEREFORE ORDERED:

1. That the Application to Intervene filed by the Sedalia Industrial Energy Users Association on June 1, 2005, is granted. The Commission's Data Center shall add counsel for the Sedalia Industrial Energy Users Association to the Service List maintained in this case.

2. That the Application to Intervene filed by AG Processing, Inc. (A Cooperative) on June 1, 2005, is granted. The Commission's Data Center shall add counsel for AG Processing, Inc. (A Cooperative) to the Service List maintained in this case.

3. That the Application to Intervene filed by the City of Kansas City on June 10, 2005, is granted. The Commission's Data Center shall add counsel for the City of Kansas City to the Service List maintained in this case.

4. That the Application to Intervene filed by The Empire District Electric Company on June 16, 2005, is granted. The Commission's Data Center shall add counsel for The Empire District Electric Company to the Service List maintained in this case.

5. That the Application to Intervene filed by the United States Federal Executive Agencies on June 17, 2005, is granted. The Commission's Data Center shall add counsel for the United States Federal Executive Agencies to the Service List maintained in this case.

6. That the Application to Intervene filed by the Missouri Department of Natural Resources on June 20, 2005, is granted. The Commission's Data Center shall add counsel for the Missouri Department of Natural Resources to the Service List maintained in this case.

7. That the Application to Intervene filed by the City of St. Joseph on June 20, 2005, is granted. The Commission's Data Center shall add counsel for the City of St. Joseph to the Service List maintained in this case.

8. That Major Craig Paulson, USAF, is admitted *pro hac vice* as counsel for the United States Federal Executive Agencies in this proceeding.

9. That parties and their representatives may choose to appear and participate at the prehearing conference set herein on June 30, 2005, at 10:00 a.m. by dialing 573-522-8028.

10. That this order will become effective on June 23, 2005.

BY THE COMMISSION

A handwritten signature in black ink, appearing to read 'Colleen M. Dale', is written over a horizontal line.

Colleen M. Dale
Secretary

(S E A L)

Kevin A. Thompson, Deputy Chief Regulatory
Law Judge, by delegation of authority under
Section 386.240, RSMo 2000.

Dated at Jefferson City, Missouri,
on this 24th day of June, 2005.