

**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)	Case No. ER-2005-0436
in its MPS and L&P Missouri Service Areas.)	

In the Matter of the Tariff Filing of Aquila,)	
Inc., to Implement a General Rate Increase for)	
Retail Steam Heat Service Provided to)	Case No. HR-2005-0450
Customers in its L&P Missouri Service Area.)	

LIST OF ISSUES

Comes now the Staff of the Missouri Public Service Commission (“Staff”) and states:

1. On May 24, 2005 Aquila, Inc. filed with the Commission tariff sheets designed to implement a general electric rate increase for service it provides to its Missouri customers in and about Kansas City and St. Joseph, Missouri under the names Aquila Networks—MPS and Aquila Networks—L&P, respectively. The Commission opened Case No. ER-2005-0436 to address that filing.

2. On May 27, 2004 Aquila, Inc. filed with the Commission tariff sheets designed to implement a general steam heat rate increase for service it provide to its Missouri customers in and about St. Joseph, Missouri under the name Aquila Networks—L&P. The Commission opened Case NO. HR-2005-0450 to address that filing.

3. On July 21, 2005 the Commission issued orders in each of these cases in which it stated the parties in each are to agree on a list of issues to be filed by the Staff and that “[a]ny issue not included in the issues list will be presumed to not require determination by the Commission.”

4. The Parties to one or both of these proceedings are as follows: Aquila, Inc., the Missouri Public Service Commission Staff, the Office of the Public Counsel, The Empire District Electric Company, Missouri Department of Natural Resources, City of St. Joseph, Ag Processing, Calpine Central, L.P., Sedalia Industrial Energy Users' Association, City of Kansas City, Federal Executive Agencies, and AARP.

5. Commission Rule 4 CSR 240-2.080(21) provides:

Any list of issues ordered by the commission must contain one (1) or more questions presented for decision, stated in the following form per issue; in three (3) separate sentences, with factual and legal premises, followed by a short question; in no more than seventy-five (75) words; and with enough facts woven in that the commission will understand how the question arises in the case.

(A) The questions must be clear and brief, using the style of the following examples of issue statements, which illustrate the clarity and brevity that the parties should aim for:

Example A: The Administrative Procedures Act does not require the same administrative law judge to hear the case and write the final order. ABC Utility Company filed an appeal based on the fact that the administrative law judge who wrote the final order was not the administrative law judge who heard the case. Is it reversible error for one administrative law judge to hear the case and a different administrative law judge to write the final opinion?

Example B: For purposes of establishing rates, ABC Utility Company is entitled to include in its cost expenses relating to items that are used or useful in providing services to its customers. ABC Utility Company has spent money to clean up environmental damages resulting from the operation of manufactured-gas plants some 70 to 80 years ago. Should ABC Utility Company be allowed to include these expenses among its costs in establishing its future natural gas rates?

6. The parties are unable to comply with the requirements of Commission Rule 4 CSR 240-2.080(21); however, the Staff has solicited input from all, and obtained input from most, of the parties in preparing the list of issues presented below. Therefore, the Staff requests, pursuant to 4 CSR 240-2.025, for good cause, the Commission waive the requirements of 4 CSR 240-2.080(21).

7. The parties were unable to agree to the wording of some issues, in those instances, the Staff has stated the alternative wordings proposed. The parties agree the listing of issues below is not an agreement by any party that any particular listed issue is, in fact, a valid or relevant issue. Indeed, in their concurrent filing of position statements, some parties may state that they consider a particular listed issue to not be a valid issue. This “non-binding” listing of issues is not to be construed as impairing any party’s ability to argue about any of these issues or related matters, or to restrict the scope of its response to arguments made by other parties.

8. Following is the list of issues the Staff has assembled for these cases. The Staff believes the list includes all contested issues in both cases and properly identifies the issues in each case.

LIST OF ISSUES

REVENUE REQUIREMENT

Rate of Return

1. Return on Common Equity (Electric and Steam): What return on common equity should be used for determining Aquila’s rate of return?
2. Capital Structure (Electric and Steam): What capital structure should be used for determining Aquila’s rate of return?
3. Cost of Debt (Electric and Steam): What cost of debt should be used for determining Aquila’s rate of return?

Rate Base Issues

4. Generation Resources (Electric): What are the prudent types and amounts of generation resources to include in Aquila Networks-MPS’s rate base?
5. South Harper (Electric): What costs related to the South Harper facility, if any, should be included in Aquila Networks-MPS’s rate base?
 - a. When should allowances for funds used during construction be treated as beginning and ending, and what is the appropriate AFUDC rate?

- b. What cost for test power should be treated as being included in Aquila Networks-MPS's rate base?
 - c. Should the costs of fee and professional services payments Aquila made to or for the benefit of the City of Peculiar for Aquila to enter into a Chapter 100 financing arrangement with the City of Peculiar be included in Aquila Networks-MPS's rate base?
 - d. South Harper Exclusions – should various legal, consulting and other costs included by Aquila as costs of construction be allowed rate base treatment?
 - e. If the costs related to the South Harper facility are not included in Aquila's rate base, should the cost of service reflect an alternative amount?
 - f. What total cost for the combustion turbines and related equipment transferred to Aquila, Inc. from Aquila Equipment, LLC and installed at Aquila's South Harper facility should be included in Aquila-Networks-MPS's rate base?
6. AAO's (Electric): Should the unamortized balance of the accounting authority orders the Commission issued for the Rebuild and Western Coal Conversion of Aquila's Sibley generating facility be included in Aquila Networks-MPS's rate base?
 7. Deferred Taxes – AAO (Electric): Should deferred income taxes associated with the Sibley and Ice Storm accounting authority orders be determined and applied as an offset to Aquila Network-MPS's rate base?
 8. Deferred Tax Balances: (Electric and Steam) Should deferred tax debit balances related to non-rate base accruals and reserves be included in the accumulated deferred income tax balances deducted from plant in service in the determination of Aquila Networks-MPS's and Aquila Networks-L&P's rate bases?

Alternatively,

Should certain deferred tax timing differences be included in the accumulated deferred tax balances (added/deducted) from plant in service in the determination of rate base?

9. Accounts Receivable Program (Electric): Should customer accounts receivable be treated as being sold for purposes of determining Aquila Network-MPS's and Aquila Networks-L&P's cash working capital included in rate base?
10. 20 West 9th: (Electric and Steam) What cost should be included in Aquila Networks-MPS's and Aquila Networks-L&P's rate bases for Aquila's 20 West 9th headquarters/annex?
11. SO₂ Emissions Costs (Electric): What level of SO₂ emissions costs should be included in rate base?

Expense Issues

12. SO₂ Emissions Costs (Electric): What level of SO₂ emissions costs should be included in expense?
13. Generation Resources (Electric): What are the prudent types and amounts of generation resources for determining fuel and purchased power expense for Aquila Networks-MPS and Aquila Networks-L&P?
14. Spot Market (Electric and Steam): How should prices for power Aquila purchases on the spot market be determined?
15. Purchased Power (Electric and Steam): How should prices for power based on purchased power contracts be determined?
16. Coal Prices: (Electric and Steam) On what prices should Aquila's coal fuel expense be based in setting rates?
17. Natural Gas Prices: (Electric and Steam) On what prices should Aquila's natural gas expense be based in setting rates?
18. Fuel Oil Prices: (Electric and Steam) On what price should Aquila's fuel-oil-in-inventory expense be based in setting rates?
19. 20 West 9th: (Electric and Steam) What expense for Aquila's 20 West 9th headquarters/annex should be used in setting Aquila Networks-MPS's and Aquila Networks-L&P's rates?
20. SERP: (Electric and Steam) Are the costs of Aquila's supplemental employee retirement plan (SERP) an expense Aquila should recover from Aquila Networks-MPS and Aquila Networks-L&P ratepayers?
21. L&P Transition Costs (Electric and Steam): Are the transition costs of the merger of St. Joseph Light & Power Company with Aquila an expense Aquila should recover from Aquila Networks-MPS and Aquila Networks-L&P ratepayers?
22. FAS 106 Funding: (Electric and Steam) How should Aquila's FAS 106 funding deficiency be addressed in this case?

Alternatively,

FAS 106 Funding: How should Aquila's FAS 106 funding deficiency, if any, be addressed in this case?

23. FAS 106 Funding: (Electric and Steam) Should the computation of Aquila's FAS 106 funding deficiency include the time value of the delay in the contributions to the fund?

Alternatively,

FAS 106 Funding: Should the computation of Aquila's FAS 106 funding deficiency, if any, include the time value of the delay in the contributions to the fund?

24. South Harper Expenses (Electric): What expenses related to the South Harper facility should Aquila recover from Aquila Networks-MPS's ratepayers?
- a. PILOTS: Should the cost of payments-in-lieu-of-taxes (PILOTs) made as part of a Chapter 100 financing arrangement in connection with the South Harper facility be included as an expense Aquila recovers from Aquila Networks-MPS's ratepayers?
 - b. Property Taxes: Should the cost of property taxes on the South Harper facility be included as an expense Aquila recovers from Aquila Networks-MPS's ratepayers?
 - c. Fees: Should the amortization of costs of fee and professional services payments Aquila made to or for the benefit of the City of Peculiar for Aquila to enter into a Chapter 100 financing arrangement with the City of Peculiar in connection with the South Harper facility be included as an expense Aquila recovers from Aquila Networks-MPS's ratepayers?
25. Corporate Restructuring: (Electric and Steam) Should there be a disallowance of corporate restructuring expenses for Aquila Networks-MPS and Aquila Networks-L&P and, if so, in what amount?
26. Low Income Weatherization Assistance (Electric): Should an amount for low-income customer weatherization assistance programs be included in Aquila Networks-MPS's and Aquila Networks-L&P's cost of service? If so, what amount should be included, how should it be funded, which programs should be included, and what kind of review should be ordered by the Commission?
27. Demand Side Management (Electric): Should an amount for energy efficiency services to residential and commercial customers be included in Aquila Networks-MPS's and Aquila Networks-L&P's cost of service? If so, what amount should be included, how should it be funded, which programs should be included, and what kind of review should be ordered by the Commission?

CLASS COST OF SERVICE/RATE DESIGN

28. Rate Design/Cost-of-Service (Electric): How should the Commission determine what, if any, shifts in class revenues for Aquila Networks-MPS and Aquila Networks-L&P should be made in this case?
29. Rate Design/Cost-of-Service (Electric): How should any revenue increase for Aquila Networks-MPS or Aquila Networks-L&P that results from this case be implemented in rates?

Alternatively, to 28 and 29,

What is the appropriate way to adjust class revenues for any revenue increase that results from this case?

RELIABILITY ISSUES

30. Service Reliability (Steam): Should Aquila be directed to study any alleged recent reliability problems on its steam system, identify solutions, and report its findings to the Commission and interested parties?
31. System Resource Study and Plan: (Steam) Should Aquila be directed to perform a study of steam production resources to include the results of the reliability review and to identify economical alternatives for the provision of steam service, and report its findings to the Commission and interested parties?

FUEL COST RECOVERY

32. IEC (Electric and Steam): If the Commission adopts an interim energy charge, how should it be structured?
 - a. What natural gas costs/prices should be included in the charge?
 - b. What coal costs/prices should be included in the charge?
 - c. What purchased power costs/prices should be included in the charge?
 - d. What SO₂ emission credits should be included in the charge?
 - i. Should Aquila be required to use pet coke as a fuel to reduce SO₂ emissions?
 - e. Should the IEC be established and trued-up on a divisional basis (for MPS and for L&P separately) or on a unified basis (MPS and L&P combined)?
 - f. Additional items to consider include treatment of off-system sales and hedging program cost/benefits.
33. IEC Rate Design (Electric and Steam): If the Commission adopts an interim energy charge, how should the cost of the charge be allocated to customer classes in setting rates?

- a. How should natural gas costs be allocated to customer classes?
- b. How should coal costs be allocated to customer classes?
- c. How should purchased power costs be allocated to customer classes?
- d. How should SO₂ emission credits be allocated to customer classes?
- e. How should off-system sales and hedging program cost/benefits be allocated to customer classes?

ANALYSIS OF FUEL OPTIONS (Steam and Electric)

34. Should Aquila have considered alternatives to high Btu Western Coal for burning at Sibley and Lake Road, including petroleum coke and various emission control options?

WHEREFORE the Staff submits the foregoing list of issues that set out issues for both Case Nos. ER-2005-0436 and HR-2005-0450.

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 emailed to all counsel of record this 22nd day of December 2005.

/s/ Nathan Williams