

**STATE OF MISSOURI  
MISSOURI PUBLIC SERVICE COMMISSION**

**In the Matter of the Request of            )  
Aquila, Inc., d/b/a Aquila Net-        )  
works-L&P to Implement a General        )  
Rate Increase in Steam Rates            )**

**HR-2004-0024**

**REQUEST TO SUSPEND TARIFF  
OF AG PROCESSING INC, A COOPERATIVE**

This pleading by AG PROCESSING INC, A COOPERATIVE ("AGP") requests that the July 3, 2003 tariff filing of Aquila, Inc. proposing increased rates for steam service be suspended for the full statutory period to permit investigation of Aquila's claims. In support, AGP states:

1. In a contemporaneous pleading AGP has sought intervention in this proceeding. AGP respectfully incorporates by reference the statements contained in that application.

2. On July 3, 2003, Aquila filed proposed tariffs reflecting an annual increase in steam revenue of roughly \$1.4 million. AGP's preliminary investigation of these proposed tariffs and the accompanying materials indicates that the proposed increase has not been shown to be just and reasonable and may be unjust, unreasonable, unduly discriminatory, and may not be based on costs.

3. As the largest steam service customer supplied by Aquila, AGP's preliminary calculations indicate that its rates

for steam service would increase roughly \$1 million over the current rate levels were this proposed increase allowed.

4. Accordingly, AGP is vitally interested in issues that are or may be raised by or developed as a result of the investigation of Aquila's steam rate proposal including, without limitation; (a) the revenues which will or may be realized under such rates and the increase over revenues resulting from former rates in effect before the current filing; (b) the amount and prudence of expenses and purported matching revenues to be charged to the appropriate test period; (c) the proper allocation of fuel costs to the Lake Road generating station and the relationship of the claimed increase in natural gas costs to the Lake Road operations; (d) the relationship and quantification of the claimed "benefits" from the merger between St. Joseph Light & Power Co. and UtiliCorp United, Inc. that is presently before the appellate courts; and (e) the design and structure of rates needed to raise revenues sufficient to meet a proper cost of service for Missouri-American.

5. Under Section 386.020(20), Aquila is subject to this Commission's regulation as a heating company. Under Sections 393.150 and 393.290 this Commission has the ability to order an investigation to determine whether a proposed increase sought by a regulated heating company is justified and to suspend the effectiveness of proposed tariffs to permit that investigation.

6. The steam system used to supply AGP and other steam customers is sourced in the Lake Road generating facility. Many of the costs claimed by Aquila to justify this proposed steam rate increase are allocated from central corporate cost centers, or represent reallocations of costs previously allocated elsewhere within Aquila's corporate organization. Aquila's filing is thus related in some measure to Aquila's corresponding claims that its electric rates are insufficient. That filing has been assigned Case No. ER-2004-0034. AGP has sought to intervene in that proceeding as a major electric customer of Aquila in St. Joseph and has also requested that those proposed tariffs be suspended.

7. In Case No. EM-2000-292, this Commission allowed Aquila (then UtiliCorp United, Inc.) to merge with St. Joseph Light & Power Co. ("SJLP").<sup>1/</sup> In that proceeding, Aquila asserted, and this Commission apparently accepted, that there would be public and ratepayer benefit -- and no ratepayer detriment -- that would result from that merger. Those ratepayers include SJLP's steam customers. Because Aquila now contends that a major cause of its request for rate relief is increased fuel costs, specifically increased natural gas costs, and the Lake Road facility is not principally fueled with natural gas, questions certainly arise as to the nature of the claimed fuel cost increase at the Lake Road station that would motivate Aquila's

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<sup>1/</sup> That Commission decision remains on review before Missouri appellate courts.

claim for \$1.4 million additional steam revenue as well as the projections employed by Aquila to support its claims about fuel costs. All these claims both require investigation and require time to perform that investigation.

8. In the same merger proceeding, Aquila sought to recover from its ratepayers a \$92 million acquisition premium created as a result of that merger. The Commission did not address the recovery of this acquisition premium from any group of ratepayers or from ratepayers in general. However, by continuing to permit Aquila to collect revenue under the tariffs that were in place pre-merger for SJLP, the Commission has permitted Aquila to recover an undetermined portion of that acquisition premium from former SJLP ratepayers including former SJLP steam ratepayers.

9. In the merger proceeding, Aquila also claimed that there would be benefits and reduced costs from the merger that would benefit SJLP ratepayers including SJLP steam ratepayers. The amount of these claimed benefits has not been quantified, but in any event should be quantified and offset against any claimed increased costs from Aquila's operation in the SJLP service territory.

10. All these issues, as well as others typically involved in a major rate increase proceeding require time to investigate. Absent suspension by this Commission, these proposed steam tariffs would take effect on August 4, 2003. This

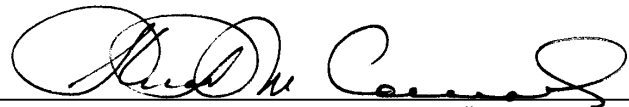
amount of time -- less than 30 days -- does not even begin to provide adequate time for such investigation to proceed.

11. Moreover, although AGP intends to be active in such investigation, it is not in the public interest, nor in the interest of the community of St. Joseph, that these proposed tariffs be permitted to go into effect without verification or investigation. Therefore, AGP also requests the Commission to direct that its staff also conduct a thorough and comprehensive investigation of Aquila's claims including the above issues as well as others that may be later identified.

WHEREFORE, AGP prays: (a) that the proposed steam tariffs be suspended for the maximum period permitted by statute and not permitted to go into effect without verification or investigation; (b) that Commission staff be directed to conduct a thorough and comprehensive investigation of Aquila's claims that additional revenue is needed from its steam customers; and (c) for all other relief to which AGP is entitled.

Respectfully submitted,

FINNEGAN, CONRAD & PETERSON, L.C.



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ATTORNEYS FOR AG PROCESSING INC.

**CERTIFICATE OF SERVICE**

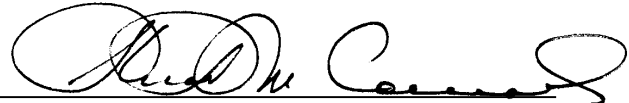
I certify that I have served a copy of the foregoing Request to Suspend on each of the following persons either by postage-paid U.S. mail, by e-mail or facsimile.

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Dated: July 16, 2003



Stuart W. Conrad, an attorney for  
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