

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

In the matter of Aquila, Inc. d/b/a)
Aquila Networks-MPS and Aquila)
Networks-L&P, for authority to file)
tariffs increasing electric rates) **ER-2005-0436**
for the service provided to custom-)
ers in the Aquila Networks-MPS and)
Aquila Networks-L&P area)

In the matter of Aquila, Inc. d/b/a)
Aquila Networks-L&P, for authority)
to file tariffs increasing steam) **HR-2005-0450**
rates for the service provided to)
customers in the Aquila Networks-)
L&P area.)

**STATEMENTS OF POSITION
FOR SIEUA AND AGP**

COMES NOW Sedalia Industrial Energy Users' Association and Ag Processing Inc and submit their Statements of Position. In doing so we make clear that we are responding to the list of issues that was provided by Aquila and acquiesced in by most if not all parties save Staff on Wednesday morning, December 21, 2005. Since then there has been a flurry of additional issues, deleted issues and changed issues, indeed up until late yesterday afternoon when undersigned counsel was driving back to Kansas City from Jefferson City. At some point the process of issue identification must cease and the parties must have time to present their positions on the issues that have stabilized. Failure to stabilize issues does not result in an orderly procedure nor measured statements of position.

Moreover, we expect that Staff will be submitting, apparently on its own, lists of witnesses, order of cross-examination and scheduled dates for hearing on particular issues. While we had worked out dates as they were developed, even this afternoon at 3:00 p.m. modified lists of witnesses and dates for issues were being circulated and as recently as this morning dates for hearing on particular issues were still changing. This process should not be presumed acceptable from silence. We are simply unable at the last minute to restructure the schedule for our witnesses. Although we will endeavor to make these new dates work and accommodate various parties' scheduling concerns, it is not possible to confirm these dates this afternoon. We are amenable to beginning on 1/9 with formal matters and recessing until the week following to permit the parties to continue negotiations. We are also amenable to extending the time for prehearing briefs to a date more in keeping with the deferred hearing schedule.

LIST OF ISSUES

REVENUE REQUIREMENT

Rate of Return (Steam and Electric)

1. Return on Common Equity: What return on common equity should be used for determining Aquila's rate of return?

The ROE should be 9.8%.

2. Capital Structure: What capital structure should be used for determining Aquila's rate of return?

The capital structure that is appropriate to use is: 45% common equity and 55% debt.

3. Cost of Debt: What cost of debt should be used for determining Aquila's rate of return?

The cost of debt for St. Joseph Power and Light Division is 7.96% and the cost of debt for Missouri Public Service Division is 6.70%.

Rate Base Issues (Electric only unless otherwise indicated)

4. Generation Resources: What are the prudent types and amounts of generation resources to include in Aquila Networks-MPS's rate base?

Position reserved for hearing.

5. South Harper: 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?

Position reserved for hearing.

6. AAO's: 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?

Position reserved for hearing.

7. Deferred Taxes - AAO: 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?

Position reserved for hearing.

8. Deferred Tax Balances: (Electric and Steam) Should certain deferred tax timing differences be included in the accumulated deferred tax balances (added/deducted) from plant in service I the determination of rate base?

Position reserved for hearing.

9. Accounts Receivable Program: 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?

Position reserved for hearing.

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?

Position reserved for hearing.

11. SO2 Costs: What level of SO2 emission costs should be included in rate base?

Position reserved for hearing.

Expense Issues (Electric only unless otherwise indicated)

12. SO2 Costs: What level of SO2 emission costs should be included in expense?

Position reserved for hearing.

13. Generation Resources: 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?

Position reserved for hearing.

14. Spot Market: How should prices for power Aquila purchases on the spot market be determined?

Position reserved for hearing.

15. Purchased Power: How should prices for power based on purchased power contracts be determined?

Realistically, not hypothetically. Otherwise position reserved for hearing.

16. Coal Prices: (Electric and Steam) On what prices should Aquila's coal fuel expense be based in setting rates?

The price in the contract with CW Mining should be what is included in this case.

17. Natural Gas Prices: (Electric and Steam) On what prices should Aquila's natural gas expense be based in setting rates?

The price of Aquila's gas hedged at NYMEX, adjusted for the basis differential to the market area where Aquila buys gas.

18. Fuel Oil Prices: (Electric and Steam) On what price should Aquila's fuel-oil-in-inventory expense be based in setting rates?

Position reserved for hearing.

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?

Position reserved for hearing.

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?

Position reserved for hearing.

21. L&P Transition Costs: 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?

Ratepayers should not pay any portion of these costs.
Otherwise position reserved for hearing.

22. FAS 106 Funding: (Electric and Steam) How should Aquila's FAS 106 funding deficiency, if any, be addressed in this case?

Position reserved for hearing.

23. FAS 106 Funding: (Electric and Steam) 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?

Position reserved for hearing.

24. South Harper Expenses: 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?

Position reserved for hearing.

- 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?

Position reserved for hearing.

26. Low Income Weatherization Assistance: Should an amount for low-income customer weatherization and 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?

Position reserved for hearing.

27. DSM: 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?

Position reserved for hearing.

CLASS COST OF SERVICE/RATE DESIGN (Electric)

28. Rate Design/Cost of Service: What is the appropriate way to adjust class revenues for any revenue increase that results from this case?

After adjusting for any change in interclass revenues from the rate design case, Case No. EO-2002-384, any increase awarded in this case should be allocated as an equal percentage across-the-board increase. Alternatively, if changes in variable fuel and purchased power costs are separately treated, then any remaining change in revenue levels should be allocated as an equal percentage applied to the current revenues (after adjustment from the cost of service case) that recover costs other than the cost of fuel.

RELIABILITY ISSUES (Steam)

29. 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?

Service Reliability - AGP Position: Service reliability is a concern of AGP documented in the direct testimony of AGP witness Mr. Donald Johnstone and the statement of AGP employee Mr. Terry McClatchey at a public hearing. The numer-

ous reliability events quantified in response to AGP data requests (Johnstone Schedule 1 attached to October 27 direct testimony) need to be studied, solutions need to be identified for prospective application, and a report needs to be provided to the Commission and the parties. Prudent improvements identified by this method must be addressed by Aquila in the report. Based on the report Parties may pursue any appropriate action or remedy, if needed, by means of discussions with Aquila or an appropriate filing before the Commission, or both.

30. 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?

Resource Study - AGP Position. The steam system has had substantial growth with one result being that a significant amount of steam will be produced with natural gas at a substantial cost premium as compared to the previous cost of steam produced predominantly with coal as the energy source. Aquila has stated that a study may be completed in six to

eight months (Aquila response to data request, see Schedule 2 attached to Johnstone October 27 direct testimony). Such an important study should be a requirement of the final report and order in this proceeding so as to ensure both a proper study and a proper consideration of the results of the study. The report must be provided to the Commission and the parties at a specified date certain not later than eight months after the final report and order in the instant proceeding. Study results and any prudent improvements identified by this method must be addressed by Aquila in the report. Based on the report Parties may pursue any appropriate action or remedy, if needed, by means of discussions with Aquila or an appropriate filing before the Commission, or both.

FUEL COST RECOVERY (Electric)

31. IEC: 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?
 - (1) Should Aquila be required to use pet coke as a fuel to reduce SO2 emissions?

 - (2) 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)?

- e. Additional items to consider include treatment of off-system sales and hedging program cost/benefits.

See discussion below.

- 32. IEC Rate Design: 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?

The amount of refundable variable fuel and purchased power amounts attributed to each rate schedule should be converted to a per kWh charge within each rate schedule.

Steam Fuel Cost Recovery - AGP Position. Although recent legislation does not change the lack of authority for the Commission to implement such a surcharge for steam customers, AGP is willing to discuss an interim incentive energy charge mechanism. The mechanism may include an interim energy charge and should provide for a percentage sharing of variations, up or down, from the fuel cost established for the test period. Such an approach, properly designed, will align the interests of Aquila and its customers in the achievement of a prudent and economic cost of fuel and will

equitably share the burdens and benefits of cost variations. The mechanism must be based on prudently incurred historical costs with proper provisions for: true-up, a prudence review, and rate adjustments or refunds to reflect the true-up and prudence review results. The term of the mechanism must not exceed four years. There must be a requirement for review within the four years in either a general rate case or a complaint proceeding in which costs and rates are generally reviewed with a consideration of all relevant factors.

ANALYSIS OF FUEL OPTIONS (Steam and Electric)

33. 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?

Yes. Aquila was deficient by not giving appropriate consideration to these alternatives.

Respectfully submitted,

FINNEGAN, CONRAD & PETERSON, L.C.



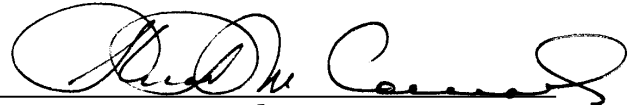
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ATTORNEY FOR SEDALIA INDUSTRIAL
ENERGY USERS' ASSOCIATION and AGP

December 23, 2005

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that I have this day served the foregoing pleading by email, facsimile or First Class United States Mail to all parties by their attorneys of record as provided by the Secretary of the Commission.

A handwritten signature in black ink, appearing to read "Stuart W. Conrad", written over a horizontal line.

Stuart W. Conrad

Dated: December 23, 2005