

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

<b>In the matter of Aquila, Inc. d/b/a</b>	<b>)</b>	
<b>Aquila Networks L&amp;P and Aquila</b>	<b>)</b>	
<b>Networks MPS to implement a general</b>	<b>)</b>	<b>ER-2004-0034</b>
<b>rate increase in electricity</b>	<b>)</b>	
<b>In the Matter of the Request of</b>	<b>)</b>	
<b>Aquila, Inc., d/b/a Aquila Net-</b>	<b>)</b>	<b>HR-2004-0024</b>
<b>works-L&amp;P to Implement a General</b>	<b>)</b>	<b>(Consolidated)</b>
<b>Rate Increase in Steam Rates</b>	<b>)</b>	

**STATEMENT OF POSITION OF SIEUA AND AGP  
ON SELECTED ISSUES**

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COME NOW Sedalia Industrial Energy Users' Association (SIEUA) and Ag Processing Inc a cooperative (AGP) and submit their Statement of Position on Selected Issues.

1. On February 6, 2004 Staff, acting on behalf of the parties to this proceeding, submitted a Proposed List of Issues, List of Witnesses and Order of Cross-Examination.

2. On January 12, 2004, AGP filed a motion with the Commission to dismiss this rate filing insofar as it purports to concern the St. Joseph, Missouri service area, both as to electric and steam rates. AGP continues to adhere to the positions therein stated and continues to assert that the Commission is without jurisdiction to process a rate case or a rate filing by Aquila with respect to that service territory. Nothing herein should be read to in any manner detract or recede from that position and this submission is made by AGP without prejudice to its position and all rights pursuant to the recent decision of

the Missouri Supreme Court in *Ag Processing v. Public Service Commission*.

3. A large number of SIEUA and AGP's concerns were addressed in the earlier-submitted Rate Design Stipulation. That Stipulation remains before the Commission for approval and none of the issues listed concern rate design and class cost of service issues. Should that Stipulation not be approved, both SIEUA and AGP reserve all rights respecting those issues.

4. Selected Issues:

a. **Fuel Costs Including Natural Gas Costs.**

Adopting the proposal of Aquila regarding fuel and natural gas costs places ratepayers at severe risk of overcharge should fuel costs be reduced, either through market forces or through the purchasing practices of the utility. It is more likely that gas costs will decrease than that they will increase which makes it unreasonable to "lock in" a high cost of gas in the base fuel calculation. The most recent outlook for prices should be used. SIEUA/AGP witness Brubaker has proposed a mechanism that would mitigate this risk while avoiding shifting unreasonable risk to the utility. Giving undue consideration to the cost of natural gas as a component of total fuel costs also has detrimental impact on the steam system costs in St. Joseph.

SIEUA/AGP witness Stephens has also provided alternative data concerning more current natural gas prices and contends

that the most current projections should be used to mitigate as much volatility as possible.

[Witnesses: Brubaker; Stephens]

b. **Steam Service Issues.**

The utility's proposed allocation method to the St. Joseph Steam System significantly overstates the costs that are properly associated with this ancillary or adjunct service. Steam service does not affect the investment and has only minimal impact on many of the expenses. It is inappropriate to assign costs to this ancillary service on a fully allocated basis and results in a misleading analysis regarding the benefit of the steam operation to the overall system. All other revenue adjustments should be made, including depreciation and the fuel cost adjustments as proposed by Mr. Brubaker. Additionally, the proposed revenue transfer should also be adopted in recognition of the ancillary nature of the steam service provided by the utility.

[Witness: Maurice E. Brubaker]

c. **Claimed Merger Savings.**

SIEUA/AGP (subject to the reservation stated above regarding the validity of the merger in the first instance) believe that no merger savings have been substantiated. SIEUA/AGP witness Stephens has testified that these claimed "merger savings" are essentially fictional, have not been substantiated by Aquila, and likely cannot. Given this, building

any sort of "sharing" program on fictional savings is subject to serious question and unreliable at the very best. The utility's proposal in this regard should be rejected.

[Witness: Robert R. Stephens]

5. On other issues not specifically listed here, SIEUA/AGP respectfully reserve their positions until further evidence has been heard.

Respectfully submitted,

FINNEGAN, CONRAD & PETERSON, L.C.



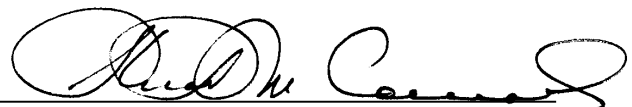
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ATTORNEYS FOR SEDALIA INDUSTRIAL  
ENERGY USERS' ASSOCIATION and AG  
PROCESSING INC A COOPERATIVE

February 13, 2004

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that I have this day served the foregoing Motion to Dismiss by electronic mail, by facsimile or by U.S. mail, postage prepaid addressed to all parties by their attorneys of record as provided by the Secretary of the Commission.



Stuart W. Conrad

Dated: February 13, 2004