



Aquila

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FILED⁴

JUL 03 2003

July 3, 2003

Missouri Public
Service Commission

RECEIVED²

JUL 03 2003

Missouri Public Service Commission
Attn: Secretary of the Commission
200 Madison Street, Suite 100
P.O. Box 360
Jefferson City, MO 65102-0360

Records
Public Service Commission

Secretary of the Commission:

Attached for filing with the Missouri Public Service Commission on behalf of Aquila, Inc., d/b/a Aquila Networks - L&P ("L&P") are fifteen copies of certain tariff sheets and the information required pursuant to 4 CSR 240-3.030, Minimum Filing Requirements for General Rate Increase Requests. The tariff sheets seek to implement a general rate increase of 19.2% in steam rates, and certain other changes as described in Aquila's direct testimony also being filed herewith. The tariff sheets, listed below, have an issue date of July 3, 2003 and a proposed effective date of August 4, 2003.

This filing cancels all of L&P's Steam PSC Mo. No. 3, and replaces it with Aquila Networks Steam PSC Mo. No. 1.

The tariff sheets being filed are as follows:

Aquila Networks, PSC Mo. No. 1, Steam Rates, Effective August 4, 2003

Original Title Page

Original Sheet No. 1 through Original Sheet No. 10

Aquila Networks - L&P, PSC Mo. No. 3, Steam Rates, Canceling All Sheets

Original Title Page

4th Revised Sheet No. 1

1st Revised Sheet No. 2

4th Revised Sheet No. 3

2nd Revised Sheet No. 5

Original Sheet No. 5.1

1st Revised Sheet No. 6

1st Revised Sheet No. 7

Page 2
July 3, 2003

2nd Revised Sheet No. 3.1
Original Sheet No. 3.2
3rd Revised Sheet No. 4

1st Revised Sheet No. 8
2nd Revised Sheet No. 9
Original Sheet No. 10

The primary reason for this filing is to recover the higher prices of fuel used to produce steam.

Also enclosed for filing with the Commission, please find an original and eight copies of the information required pursuant to 4 CSR 240-2.065 (1), consisting of the direct testimony and schedules of the following Aquila witnesses:

Stephanie A. Murphy
Beverlee R. Agut
Richard O. Clayburn

Ronald A. Klote
Donald A. Murry
Tim M. Nelson

Lisa A. Starkebaum
Ronald E. White
J. Matt Tracy
Randall D. Erickson

Please note that Mr. White's testimony and schedules include depreciation studies for both L&P steam plant and Aquila corporate plant. The databases for the depreciation studies and property unit catalog have been provided to the Missouri Public Service Commission Staff.

Sincerely,



Dennis R. Williams
Regulatory Services

Enclosures

cc: Office of the Public Counsel (2)



Aquila

P.S.C. MO. No. 1

AQUILA, INC.
d/b/a AQUILA NETWORKS,
And AQUILA NETWORKS – L&P

SCHEDULE OF RATES FOR STEAM

APPLYING TO THE FOLLOWING TERRITORY

St. Joseph, Missouri and Environs

STATE OF MISSOURI, PUBLIC SERVICE COMMISSION

P.S.C. MO. No. 1

Original Sheet No. 1

Canceling P.S.C. MO. No. _____

Sheet No. _____

**Aquila, Inc., dba
AQUILA NETWORKS
KANSAS CITY, MO 64138**

For St. Joseph, MO & Environs

**TABLE OF CONTENTS
STEAM**

<u>Type of Service</u>	<u>Schedule</u>	<u>Sheet No.</u>
TABLE OF CONTENTS	---	1

DESCRIPTION OF AUTHORIZED SERVICE TERRITORY

Company provides steam service for heating and processing in the vicinity of Lake Road generating station in the City of St. Joseph, Missouri.

RATES:

Steam Service	MO981	2
Standby or Supplementary Steam Service	---	3
Contract Steam Service.....	MO982	5

RULES AND REGULATIONS

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STATE OF MISSOURI, PUBLIC SERVICE COMMISSION

P.S.C. MO. No. 1

Original Sheet No. 2

Canceling P.S.C. MO. No. _____

Sheet No. _____

**Aquila, Inc., dba
AQUILA NETWORKS
KANSAS CITY, MO 64138**

For St. Joseph, MO & Environs

**STEAM SERVICE
STEAM**

AVAILABILITY

Available for firm service from the Company's facilities to customers located in the vicinity of Lake Road Generating Station who shall contract to use this service for continuous periods of not less than two years.

BASE RATE, MO981 Net two parts

- 1. Reserved Capacity Charge:
For all BTU of Reserved Capacity, per month, per million BTU..... \$295.28

Plus

- 2. Energy Charge per million BTU:
For the first 300 million BTU's per million BTU's of reserved capacity..... \$4.2920
For all over 300 million BTU's per million BTU's of reserved capacity..... \$3.4882

LICENSE, OCCUPATION, FRANCHISE OR OTHER SIMILAR CHARGES OR TAXES

See Company Rules and Regulations

LATE PAYMENT CHARGE

See Company Rules and Regulations

DETERMINATION OF RESERVED CAPACITY

The Reserved Capacity shall be the actual demand for the billing period but not less than 80 percent of the highest actual demand established in the previous 11 months, and in no case less than three million BTU's per hour.

SPECIAL RULES

The pressure, temperature and heat content of all service under this schedule shall be only as specified by the Company.

Service will be furnished under, and this schedule shall be subject to Company Rules and Regulations.

STATE OF MISSOURI, PUBLIC SERVICE COMMISSION

P.S.C. MO. No. 1

Original Sheet No. 3

Canceling P.S.C. MO. No. _____

Sheet No. _____

**Aquila, Inc., dba
AQUILA NETWORKS
KANSAS CITY, MO 64138**

For St. Joseph, MO & Environs

**STANDBY OR SUPPLEMENTARY SERVICE
STEAM**

AVAILABILITY

Available for steam service to any customer who shall contract for a minimum monthly Reserved Capacity of 3 mmBtu for a period of 60 consecutive months, where the customer desires service as standby or supplementary to service provided by the customer's own facilities.

BASE RATE

Demand Charge per mmBtu

For each million Btu's of Reserved Capacity per month \$548.99

Fixed Energy Charge per mmBtu

For each million Btu's per month..... \$1.0936

Energy Fuel Charge per mmBtu

The energy fuel charge shall be determined based on the incremental cost of fuel for the period of actual energy usage.

Rental Charge per month

The Company and customer shall enter into a steam equipment rental contract and the customer shall agree to pay to the Company, in addition to his bill for service, a monthly rental charge therefor equal to one and three-fourths percent of the Company's total investment in all steam equipment solely dedicated to providing steam service to the customer.

MINIMUM

The minimum monthly bill shall be the Demand Charge plus the Rental Charge.

LICENSE, OCCUPATION, FRANCHISE OR OTHER SIMILAR CHARGES OR TAXES

See Company Rules and Regulations

LATE PAYMENT CHARGE

See Company Rules and Regulations

DETERMINATION OF RESERVED CAPACITY

The customer shall subscribe to a prespecified demand level that shall be used in the calculation of the demand charge. In no case shall the specified reserved capacity be less than three million BTUs per hour. The Company agrees to deliver, upon a minimum of six hours notification, a demand level equal to, or less than, the subscribed demand level. If the customer requests and the Company delivers a demand greater than the subscribed level, the new actual demand delivered shall be used to calculate the monthly demand charge in the subsequent 24-month period. At the end of the 24-month period, if no higher demand has been delivered, the customer may again subscribe to a lower demand level. Delivery of a demand level that is higher than the subscribed level is subject to the Company's approval and the system conditions at the time of request. The Company does not assure delivery above the subscribed level.

STATE OF MISSOURI, PUBLIC SERVICE COMMISSION

P.S.C. MO. No. 1

Original Sheet No. 4

Canceling P.S.C. MO. No. _____

Sheet No. _____

Aquila, Inc., dba

AQUILA NETWORKS

For St. Joseph, MO & Environs

KANSAS CITY, MO 64138

STANDBY OR SUPPLEMENTARY SERVICE (Continued)
ELECTRIC

SPECIAL RULES

The pressure, temperature and heat content of all service under this schedule shall be only as specified by the Company.

Service under this schedule shall be self-renewing for an additional period of sixty months, unless written notice of intention to discontinue is given two years before the end of the existing contract period.

New or existing customers that request to be placed on this rate schedule must enter into a Steam Equipment Rental Agreement' prior to receiving service under this schedule.

STATE OF MISSOURI, PUBLIC SERVICE COMMISSION

P.S.C. MO. No. 1
Canceling P.S.C. MO. No. _____

Original Sheet No. 5
Sheet No. _____

**Aquila, Inc., dba
AQUILA NETWORKS
KANSAS CITY, MO 64138**

For St. Joseph, MO & Environs

**CONTRACT SERVICE
STEAM**

AVAILABILITY, MO982

Company may, in those instances in which it faces competition from an alternate supplier of industrial steam service or the possibility of self-generation of industrial steam by a customer, enter into a special rate contract(s) with the customer on such terms and conditions as may be agreed upon by Company and the customer which, in Company's sole discretion, are deemed necessary to continue to maintain services to an existing customer, to reestablish service to a previous customer or to acquire new customers.

All such contracts shall be filed to the Commission Staff and to the Office of the Public Counsel and shall be subject to the Commission's jurisdiction.

Unless otherwise specified or modified in the contract between the customer and Company, such service shall be subject to all other applicable Company rules, regulations, tariffs and General Terms and Conditions of Service applicable to industrial steam service on file with and approved by the Commission and as the same may be changed lawfully from time to time. The rates provided by any such contract shall not, however, exceed the tariffed rate which would otherwise be applicable nor be less than \$3.58 per mmBtu. Any such contract shall not bind the Commission for ratemaking purposes.

STATE OF MISSOURI, PUBLIC SERVICE COMMISSION

P.S.C. MO. No. 1
Canceling P.S.C. MO. No. _____

Original Sheet No. 6
Sheet No. _____

**Aquila, Inc., dba
AQUILA NETWORKS
KANSAS CITY, MO 64138**

For St. Joseph, MO & Environs

**RULES AND REGULATIONS
STEAM**

1. Customer Defined

A Customer shall be defined to mean one class of service furnished to one individual, cohabitant, family, partnership, firm or corporation, at a single address or location.

2. Service

Upon the execution of an application for steam service and compliance with the rules and regulations of the Company, service will be supplied to the Customer at the rate on file with the Public Service Commission of Missouri for the particular service for which application is made.

3. Security

The Company may require from any Customer or prospective Customer a cash deposit intended to guarantee payment of current bills. Such required deposit shall not exceed in amount one-sixth (1/6) of the estimated annual bill of such Customer. If Customer fails to pay any bills, Company may apply customer's deposit in liquidation. Simple interest at six percent (6%) per annum will be paid by the Company upon return of deposit or annually upon request of Customer.

4. New Meter Installation

The Company shall install, own and maintain a suitable meter(s) to measure the energy sold to the Customer.

The meter(s) will normally be placed at or adjacent to the Customer's property line as designated by the Company. If the Company determines that such a location is not possible or practical, the Company and Customer shall determine a mutually agreeable alternate location. In every case, the location of the new meter(s) and the associated responsibilities for the ownership and maintenance of the related steam lines shall be specified in a written agreement between the Customer and the Company. If the meter(s) is to be located on the Customer's property, the Customer shall provide and maintain, without cost to the Company, sufficient and proper space for the installation and maintenance of said meter(s).

5. Relocation of An Existing Meter

If a Customer requests that an existing meter be relocated, the Company will move the meter if it determines the new location to be appropriate. A charge will be rendered to the Customer for all costs associated with the relocation. Any such charge shall conform to the steam rules and regulations that specify charges for line extensions. If the Customer's proposed new location is not considered to be appropriate by the Company, the move will not be made.

The Company retains the right to move existing meters when it determines it appropriate, and the cost of the meter relocation will be paid by the Company.

STATE OF MISSOURI, PUBLIC SERVICE COMMISSION

P.S.C. MO. No. 1
Canceling P.S.C. MO. No. _____

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**Aquila, Inc., dba
AQUILA NETWORKS
KANSAS CITY, MO 64138**

For St. Joseph, MO & Environs

**RULES AND REGULATIONS
STEAM**

6. Access for Company's Employees

Authorized employees of the Company may at all reasonable times have access to premises of Customer to measure service or to inspect connections, equipment, and apparatus of Company and Customer, and to change or repair Company's property.

7. Right-of-Way

The Customer agrees to provide with no charge or rental therefor to the Company the necessary right-of-way for the premises with the right of ingress, egress and all appurtenances.

8. Continuity of Service

The Company shall use reasonable diligence to provide service as required under the appropriate rate schedule, but does not guarantee a constant supply of steam. Company may suspend service for necessary inspection, alteration or repair, or whenever public health and safety may be impaired by the flow of steam in the line. Interruption of service, however, shall not relieve customer from any charges for service actually rendered.

9. Non-Payment

If any bill rendered by the Company is not paid within thirty (30) days after the date thereof, the Company may discontinue service in accordance with appropriate notice, which is defined as at least two (2) business days prior to disconnection. In case of loss of, or failure to receive a bill, the Company shall, upon request by the customer, make a duplicate thereof.

10. Interference

If any connection or device is found on the premises of customer which prevents the meter from registering the total steam used or to be used, the Company shall have the right to discontinue its service and terminate the contract for service without notice.

11. Disconnection of Service

The Company reserves the right to disconnect or limit service supplied to an existing customer or refuse service to new customers for any of the following reasons:

- a) Failure to pay for service provided by the Company according to the Rules and Regulations continued herein.
- b) Failure to post a security deposit if required by the Company.
- c) Failure to comply with the terms and conditions of a settlement agreement.
- d) Refusal to grant access to Company-owned equipment at reasonable times.
- e) Misrepresentation of identity for the purpose of obtaining service.

STATE OF MISSOURI, PUBLIC SERVICE COMMISSION

P.S.C. MO. No. 1

Original Sheet No. 8

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Sheet No. _____

**Aquila, Inc., dba
AQUILA NETWORKS
KANSAS CITY, MO 64138**

For St. Joseph, MO & Environs

**RULES AND REGULATIONS
STEAM**

11. Disconnection of Service (Continued)

- f) Violation of any of the Company Rules and Regulations on file with the Missouri Public Service Commission.
- g) The customer's installation presents a hazardous or dangerous situation to life and/or property.
- h) Interference with or prevention of the Company meter from registering the total energy.

Upon the customer's request, the Company will restore service when the following conditions have been met:

- a) When the cause for the discontinuance has been eliminated.
- b) Applicable restoration charges have been paid.
- c) Satisfactory credit arrangements have been made.

The Company will make a reasonable effort to reconnect the customer the same day the above conditions have been met.

The Company reserves the right to charge the customer for reconnection of normal service. These charges shall be based upon the actual cost and included in the customer's bill.

12. Indemnity to Company

The Company shall not be required to assume any responsibility to inspect, test, or maintain any pipe or equipment beyond the service valve. The customer shall hold the Company harmless and indemnify it against any claims for damages to person or property arising beyond the service valve.

13. Resale of Steam

The steam service supplied to a customer is for the sole use of said customer and shall not be furnished or sold to any other firm, corporation or person, and no other firm, corporation or person shall be permitted to use the same without the written consent of the Company.

14. Meter Failure

Any Company steam meter that records the Customer's usage within three percent of actual usage will be considered suitably accurate for billing purposes. If, due to routine maintenance or customer notification the meter is found to have excessive error, the Company will correct the meter and adjust the customer's bill. The over or under recorded energy will be calculated for no more than the preceding 12 months. This energy will then be billed at the rates that existed at that time. The metering error revenue will be debited or credited to the customer's account. If there is a credit to be made to the customer, it will be made in total the next billing period. If the customer's account is debited, the customer may extend the payments over the same length of time the meter error occurred. In no case will this payment period exceed 12 months.

STATE OF MISSOURI, PUBLIC SERVICE COMMISSION

P.S.C. MO. No. 1

Original Sheet No. 9

Canceling P.S.C. MO. No. _____

Sheet No. _____

**Aquila, Inc., dba
AQUILA NETWORKS
KANSAS CITY, MO 64138**

For St. Joseph, MO & Environs

**RULES AND REGULATIONS
STEAM**

15. Billing of License, Occupation, Franchise or Other Similar Charges or Taxes

There shall be added to the customer's bill, when applicable, as a separate item, an amount equal to the proportionate part of any license, occupation, franchise, or other similar fee or tax now or hereafter imposed upon the Company by local taxing authorities, whether imposed by ordinance, franchise or otherwise, and which fee or tax is based upon a percentage of the gross receipts, net receipts, revenues from sales of steam service or other service rendered by the Company to the customer.

Charges or taxes herein referred to shall in all instances be billed to customers on the basis of Company rates effective at the time of billing, and on the basis of the tax rate effective at the time billing is made.

16. Late Payment Charge

There shall be a late payment charge of 1.50% on the amount unpaid from any previous billing. The time interval between billings shall not be less than 25 days.

17. Line Extensions

Whenever an extension of the Company's distribution system is necessary in order that an applicant may receive service, the Company shall furnish and install the required extension to the applicant, except as hereinafter described.

Rights-of-way and easements required from the applicant or applicants, satisfactory to the utility, must be furnished in reasonable time to meet construction and service requirements and before the utility shall be required to commence its installation. In the case of underground distribution, such rights-of-way and easements must, by applicant or applicants, at no charge to the utility, be cleared of trees, tree stumps and other obstructions and graded to within six inches of final grade. Such clearance and grading must be maintained by the applicant or applicants during construction by the utility.

An applicant will be required to pay any excess investment costs. The excess cost is the total investment cost less two years' expected revenues. In circumstances when the two years' expected revenues are less than the total investment cost, and when the application of these rules appears unjust to either party or discriminatory to other customers, the Company may modify the terms of the service agreement to prevent said unjust or discriminatory treatment.

All costs of the Company referenced in this extension policy shall include applicable material, labor and indirect costs. Indirect costs are comprised of supervision, engineering, transportation, material handling, administrative costs, and payroll related costs that support actual construction. The amount of the indirect costs is derived by application of unit costs or allocation percentages determined from historical experience. A copy of the Company's estimate of the cost of construction, including direct and indirect costs, shall be furnished to the Customer upon request prior to construction.

STATE OF MISSOURI, PUBLIC SERVICE COMMISSION

P.S.C. MO. No. 1

Original Sheet No. 10

Canceling P.S.C. MO. No. _____

Sheet No. _____

**Aquila, Inc., dba
AQUILA NETWORKS
KANSAS CITY, MO 64138**

For St. Joseph, MO & Environs

**RULES AND REGULATIONS
STEAM**

17. Line Extensions (Continued)

All construction, installation, maintenance and operation of distribution systems shall be in accordance with applicable codes, orders, rules, or utility specifications.

An applicant or customer will cooperate with the Company in construction and subsequent maintenance of all facilities. Any abnormal expenses incurred by the Company due to willful lack of cooperation or interference by other utilities or contractors will be billed and paid by the applicant or customer.

18. Special Facilities

Where the Company, at the request of the customer, agrees to provide special facilities not usually required to provide normal service under any of its rate schedules, the customer shall pay a monthly charge sufficient to cover costs incurred by the Company in providing such facilities.

All costs of the Company shall include applicable material, labor and indirect costs. Indirect costs are comprised of supervision, engineering, transportation, material handling, administrative costs, and payroll related costs that support actual construction. The amount of the indirect costs is derived by application of unit costs or allocation percentages determined from historical experience. A copy of the Company's estimate of the cost of construction, including direct and indirect costs, shall be furnished to the Customer upon request prior to construction.

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

**INFORMATION FILED IN ACCORDANCE WITH
4 CSR-240-3.030 MINIMUM FILING REQUIREMENTS**

**FOR
AQUILA, INC. d/b/a AQUILA NETWORKS – L&P
STEAM**

INFORMATION FILED IN ACCORDANCE WITH
4 CSR-240-3.030 (3) (B) 1

ITEM 1 – AGGREGATE ANNUAL INCREASE

The aggregate annual increase over current revenues which the tariffs propose is \$1,342,000 for Aquila Networks – L&P steam business, an overall increase of 19.2% on a Pro Forma Basis.

INFORMATION FILED IN ACCORDANCE WITH
4 CSR-240-3.030 (3) (B) 2
Steam Business

ITEM 2 – NAMES OF COUNTIES AND COMMUNITIES AFFECTED BY PROPOSED
ELECTRIC RATE INCREASE

COUNTIES FOR AQUILA NETWORKS – L&P

Buchanan

COMMUNITIES AQUILA NETWORKS – L&P

St. Joseph

INFORMATION FILED IN ACCORDANCE WITH
4 CSR-240-3.030 (3) (B) 3
Steam Business

ITEM 3 – NUMBER OF CUSTOMERS AFFECTED BY PROPOSED ELECTRIC RATE
INCREASE

<u>Line</u> <u>No.</u>	<u>Sheet</u> <u>No.</u> (A)	<u>Schedule</u> <u>No.</u> (B)	<u>Number of</u> <u>Customers</u>
1	2	MO981	6

INFORMATION FILED IN ACCORDANCE WITH
 4 CSR-240-3.030 (3) (B) 4
Steam Business

ITEM 4. The average change requested in dollars and percentage change from current rates for each general category of service and for all rate classifications within each general category of service.

Line No.	Sheet No. (A)	Schedule No. (B)	Annualized	Proposed	Proposed Increase	
			Revenue (C)	Revenue (D)	Amount (E)	Percent (F)
1	2	MO981	\$6,969,363	\$8,311,349	\$1,341,986	19.3%
2	3		\$0	\$0	\$0	0.0%
3	5	MO982	\$0	\$0	\$0	0.0%
4		Other Rev.	\$7,439	\$7,439	\$0	0.0%
5		TOTAL	\$6,976,802	\$8,318,788	\$1,341,986	19.2%

INFORMATION FILED IN ACCORDANCE WITH
4 CSR-240-3.030 (3) (B) 5
Steam Business

ITEM 5. The proposed annual aggregate change by general categories of service and by rate classification within each general category of service including dollar amounts and percentage of change in revenues from current rates.

Line No.	Category (A)	Annualized	Proposed	Proposed Increase	
		Present Revenue (C)	Revenue (D)	Amount (E)	Percent (F)
Aquila Networks - L&P					
1	Steam Service	\$6,969,363	\$8,311,349	\$1,341,986	19.3%
2	Standby	\$0	\$0	\$0	
3	Contract Service	\$0	\$0	\$0	0.0%
7	Other Revenue	\$7,439	\$7,439	\$0	0.0%
8	Total Revenue	\$6,976,802	\$8,318,788	\$1,341,986	19.2%



Aquila

News Release

Media Contact:

Jan Zimmers – (816) 467-3617

Aquila Media Line – (816) 467-3000

Investor Contact:

Neala Clark – (816) 467-3652

AQUILA FILES ELECTRIC RATE CASE FOR ST. JOSEPH AREA TO RECOVER COSTS OF ELECTRIC SERVICE OPERATIONS

Proposes to Share 75 Percent of Merger Savings with Customers

ST. JOSEPH, MO, July 3, 2003 – Aquila, Inc. (NYSE:ILA) today filed a request for an electric rate increase with the Missouri Public Service Commission.

In its request, the company seeks to recover the higher cost of natural gas needed to generate electricity; system improvement costs; and funding for employee pensions in the electric service operations of the company's former St. Joseph Light & Power properties. The company is requesting a 15.5 percent increase in annual revenues.

The 64,000 electric customers served by the former St. Joseph Light & Power Company currently pay rates near 1983 levels.

The company also filed for a 19.2 percent rate increase for six commercial customers that receive steam from one of the company's power plants.

“We've taken a number of steps, totaling approximately \$6 million, to reduce the amount of the rate filing request,” said Jon Empson, senior vice president of Regulatory, Legislative and Gas Supply Services for Aquila. “It's important for the company to recover its electrical system operating costs that were incurred to provide safe and reliable service for our customers.”

To further help reduce the electric rate increase, the company proposes to share with all its Missouri customers 75 percent of the savings achieved through the consolidation of St. Joseph Light & Power. The plan is to use 50 percent of those savings

to reduce the size of the rate increase. Aquila proposes that another 25 percent of the savings will be used to provide funds for residents in Aquila's Missouri service territory who cannot afford to pay their utility bills.

If the rate increase is approved by the commission, an average residential customer using 10,000 kilowatt-hours (kwh) of electricity a year would see an increase of approximately \$8.95 a month. The rate increases would total \$14.6 million for electric customers and \$1.3 million for steam customers.

The key factors in the company seeking an electric rate increase are:

- 36 percent is caused by contributions required to properly fund pension plans for the employees.
- 25 percent reflects recovery of capital investments made to provide electric service to customers.
- 21 percent is caused by the requirement for a new transmission capacity contract.
- 16 percent is driven by higher costs for natural gas related to generating and purchasing electricity to serve customers.
- 12 percent reflects the traditional subsidy for steam plant operating costs.

(NOTE: These percentages add up to more than 100 percent because the request was reduced by 10 percent due to various administrative and general cost savings resulting from Aquila's acquisition of St. Joseph Light & Power Company in 2001.)

The \$6 million in annual savings was achieved through several initiatives, including reducing operating costs through office and service center consolidations and employee reductions, as well as adding new growth through joint community efforts.

Aquila's current St. Joseph area customer electric rate allows for a gas cost of about \$2.50 per thousand cubic feet (Mcf), while the current market price for natural gas is around \$6. Aquila is asking the commission to increase the rate the company charges

- more -

for natural gas from the current level of \$2.50 per Mcf to \$5.64 per Mcf. The company also is recommending that any amount collected above the company's actual costs would be refunded to its customers at the end of each year.

In addition, capital expenditures needed to update the company's power plants and electric distribution system throughout the St. Joseph area total \$11 million to \$13 million annually. The current rate structure does not have a provision for these necessary expenditures.

Likewise, the current rate structure does not fully cover current pension costs. Customer rates were reduced to reflect the favorable market investment returns enjoyed over the last several years. However with the stock market now depressed and interest rates lowered, those favorable returns no longer exist. Aquila, like many other U.S. companies, must now make contributions to cover these costs. In 2002, Aquila contributed \$35 million to its pension funds and may have to contribute a similar amount in 2003.

Prior to filing the rate increase, Aquila held outreach meetings to discuss the proposed increase with Missouri community and legislative leaders.

Aquila serves 338,000 electric and natural gas customers in Missouri. Based in Kansas City, Missouri, Aquila operates electricity and natural gas distribution networks serving customers in the U.S., Canada, the United Kingdom and Australia.

In the U.S., the company provides energy service to 1.3 million customers in Missouri, Kansas, Colorado, Michigan, Minnesota, Iowa and Nebraska. More information is available at www.aquila.com.

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INFORMATION FILED IN ACCORDANCE WITH
4 CSR-240-3.030 (3) (B) 7
Steam Business

ITEM 7 – SUMMARY OF REASONS FOR THE PROPOSED CHANGES

The proposed changes represent a general rate increase request. The need for an increase in rates is primarily caused by higher costs for natural gas needed to produce steam and other costs necessary to provide safe and reliable electricity to customers.