



Natural Gas Affordability Update 2005-2006 Winter

**Presented to the
Missouri Public Service Commission
September 22, 2005**



Agenda

- **Introduction**
 - Jon Empson
Senior Vice President – Regulated Operations
- **Gas Supply Portfolio**
 - Shawn Gillespie
Director – Gas Supply Planning & Operations
- **Rate Impact and Low Income & Energy Efficiency Programs**
 - Dennis Odell
Director – Regulatory Services
- **Other Affordability Initiatives, Communications Plan, and Summary**
 - Jon Empson



Gas Supply Portfolio

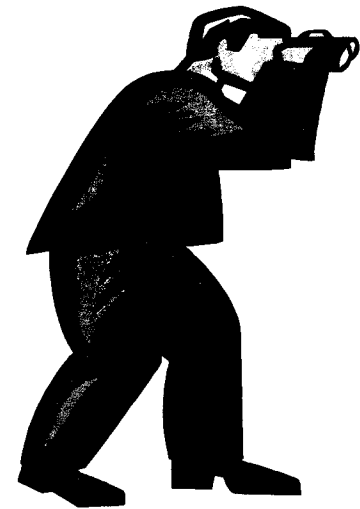
Shawn Gillespie
Director – Gas Supply Planning & Operations



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Supply Portfolio

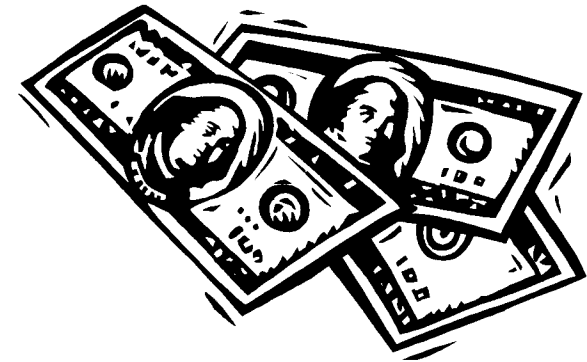
- **Dollar-Cost Averaging Approach**
- **Diversified Hedging Portfolio**
- **How Portfolio Fares Under Changing Market Conditions**
- **Estimated Impact of Aquila's Hedging Program**



Diversified Supply Portfolio

- **Supply Diversification Goals**

- Mitigate price volatility
- Promote price stability
- Provide operational flexibility



- **Diversified Supply Portfolio Mix**

- Monthly index price
- Fixed price
- Storage
- Daily index price
- Options

- **Dollar Cost Averaging**

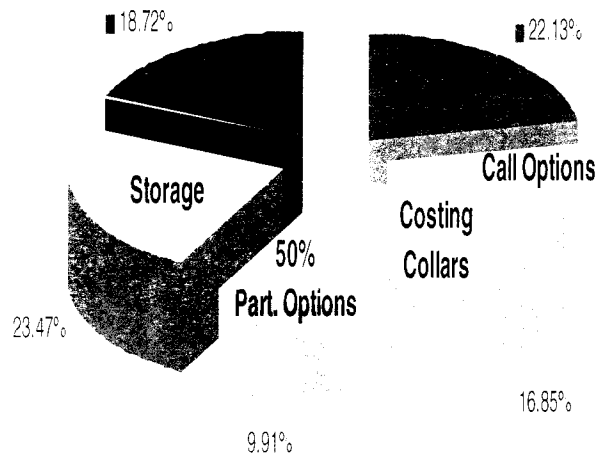
- Multiple purchase increments
- Multiple purchase types



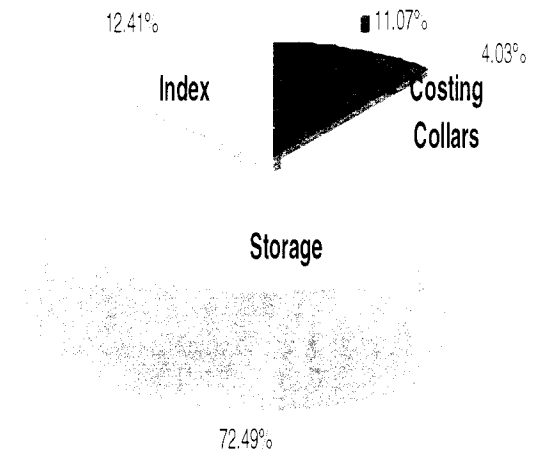
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Diversified Hedging Portfolio

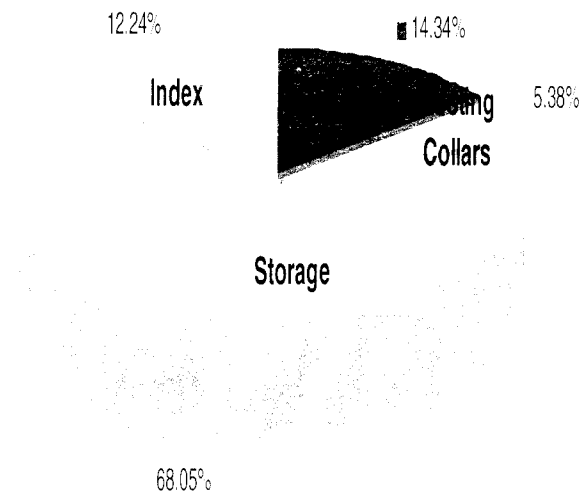
MPS Southern System



MPS Northern System



St. Joseph Light & Power

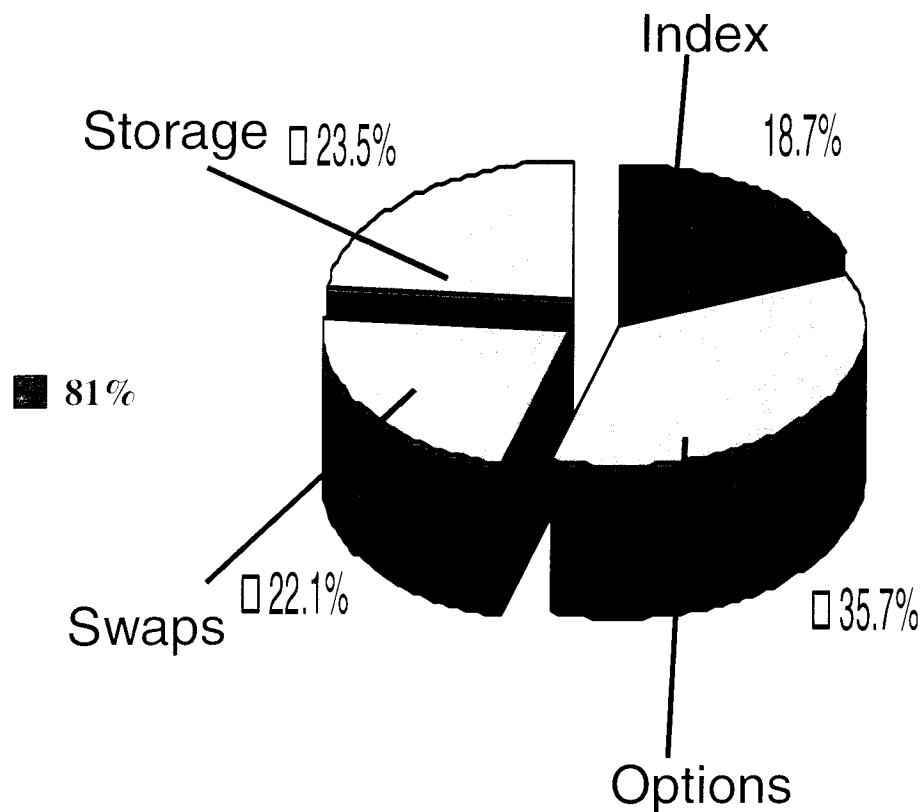




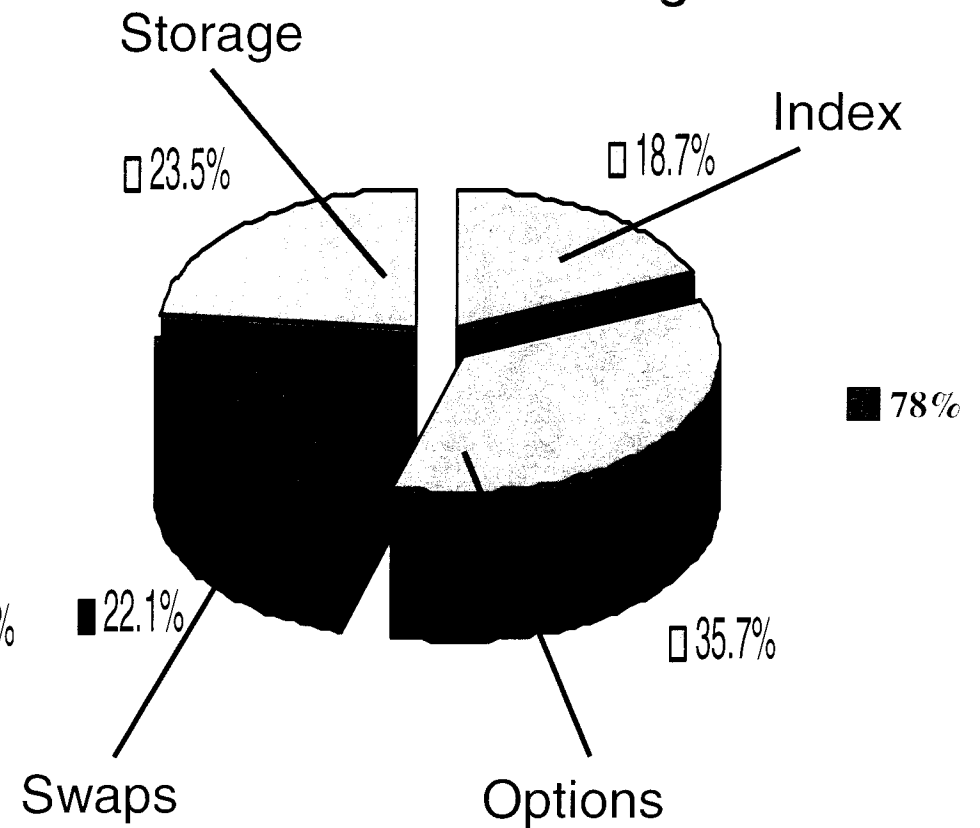
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Exposure under changing conditions

Rising Market



Falling Market

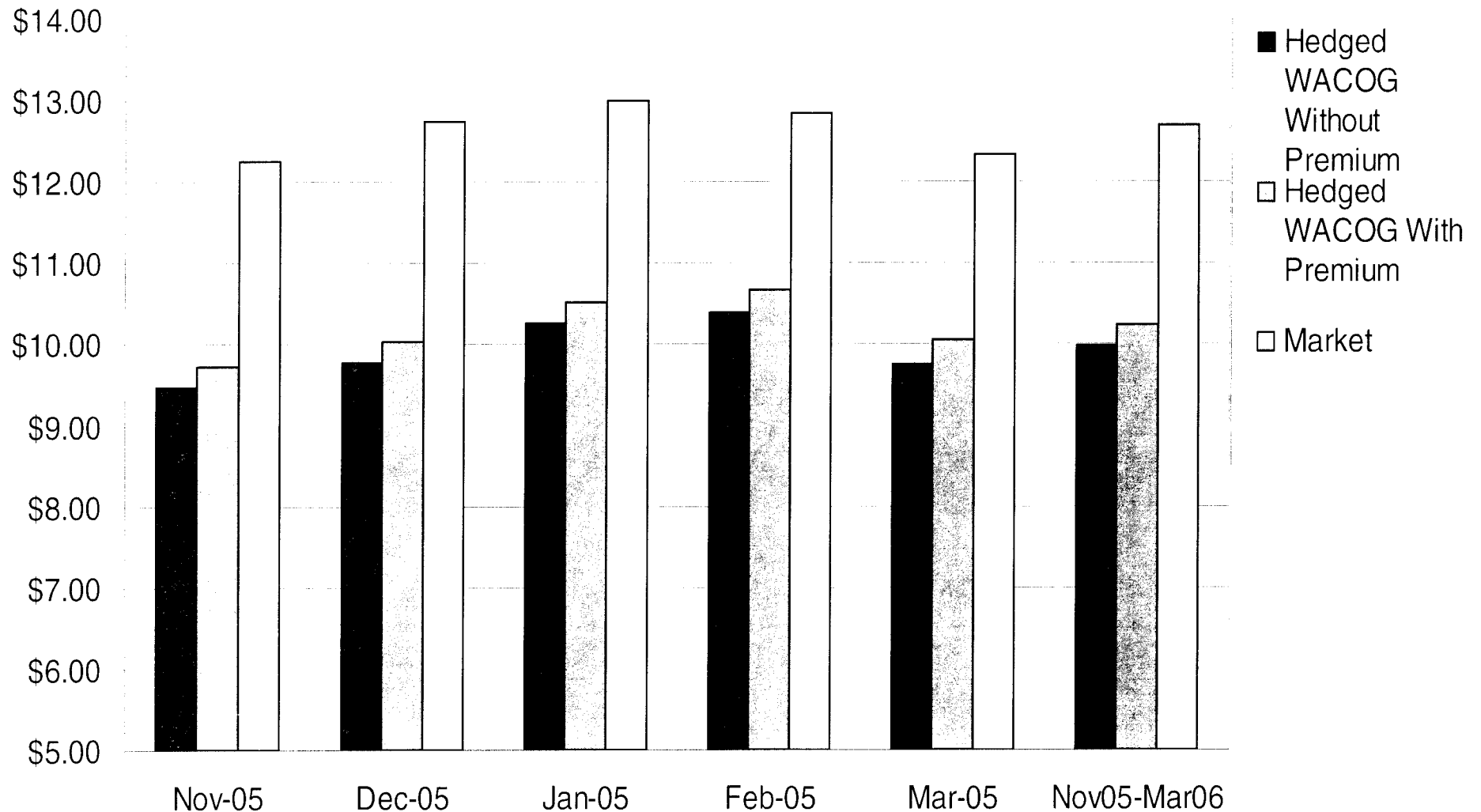


- At or Below WACOG
- Higher than WACOG



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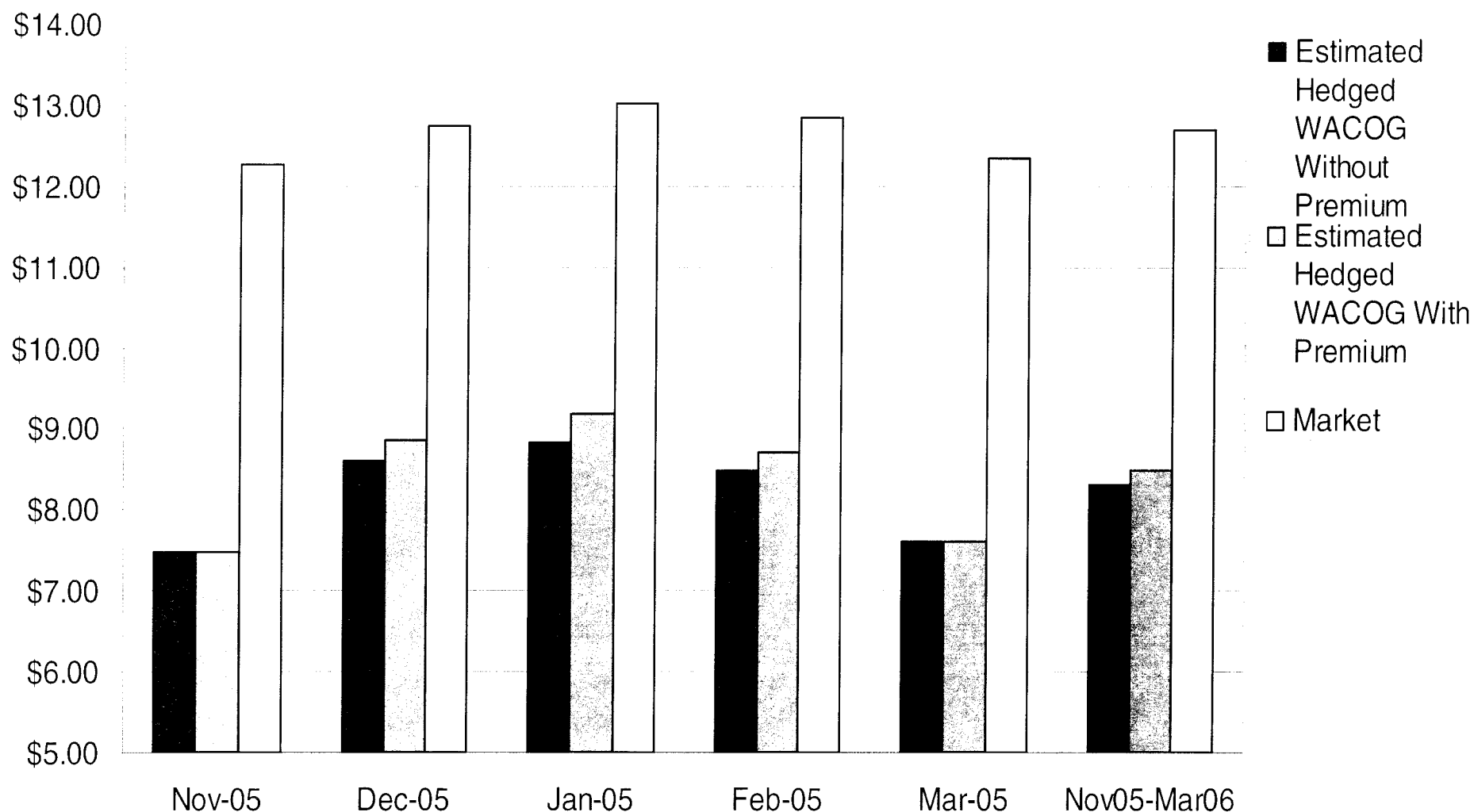
Projected WACOG compared to Market – MPS Southern System as of 09/19/05 NYMEX Close





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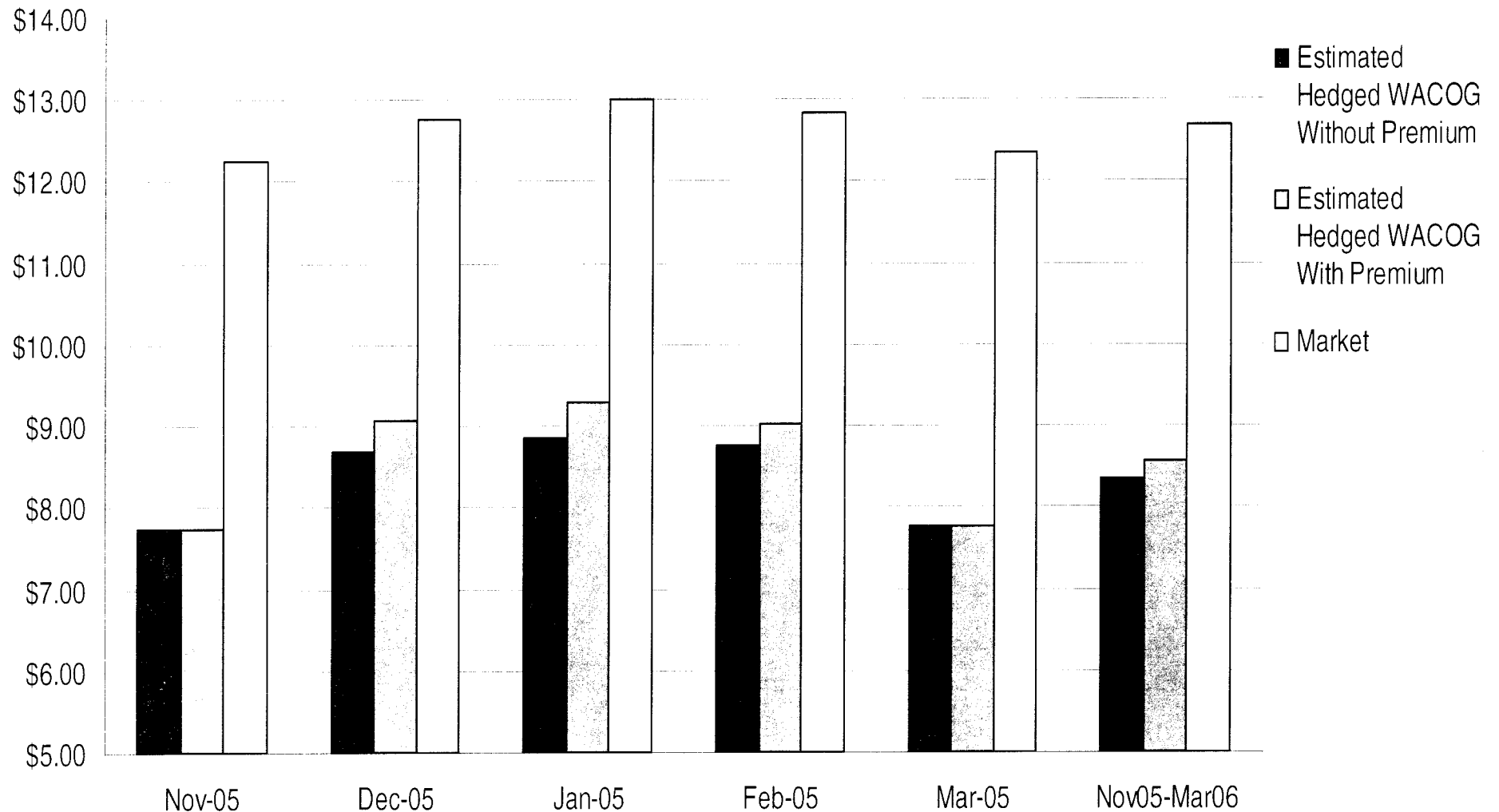
Projected WACOG compared to Market – MPS Northern System as of 09/19/05 NYMEX Close





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Projected WACOG compared to Market – L & P System as of 09/19/05 NYMEX Close





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Rate Impact Low Income and Energy Efficiency Programs

**Dennis Odell
Director – Regulatory Services**



Rate Impact

- **Impact from higher gas costs alone ranges from 14.3% - 23.1%**
 - Differences mainly due to the amount of storage on each system
- **Weather may also have an impact**
 - Last year was warmer than normal
- **Bills are estimated to be 31.3% - 37.8% higher than last year if weather is normal**

Southern System	04/05	05/06
04/05 Weather	0.0%	23.1%
Normal Weather	11.8%	37.8%

Northern System	04/05	05/06
04/05 Weather	0.0%	19.3%
Normal Weather	11.8%	33.6%

L&P System	04/05	05/06
04/05 Weather	0.0%	14.3%
Normal Weather	14.7%	31.3%

Total System	04/05	05/06
04/05 Weather	0.0%	21.1%
Normal Weather	12.2%	36.1%



Low-Income & Energy Efficiency Programs

Program	Gas	Electric	Total
System-wide weatherization assistance consistent with WAP	\$78,500	\$50,000	\$128,500
Commercial energy audits	\$7,500	\$23,500	\$31,000
Low-income weatherization program	\$24,000	\$0	\$24,000
Experimental low-income rate discount program	\$25,000	\$0	\$25,000
Change A Light, Change the World	\$0	\$20,000	\$20,000

Five programs funded by Aquila totaling \$228,500 annually



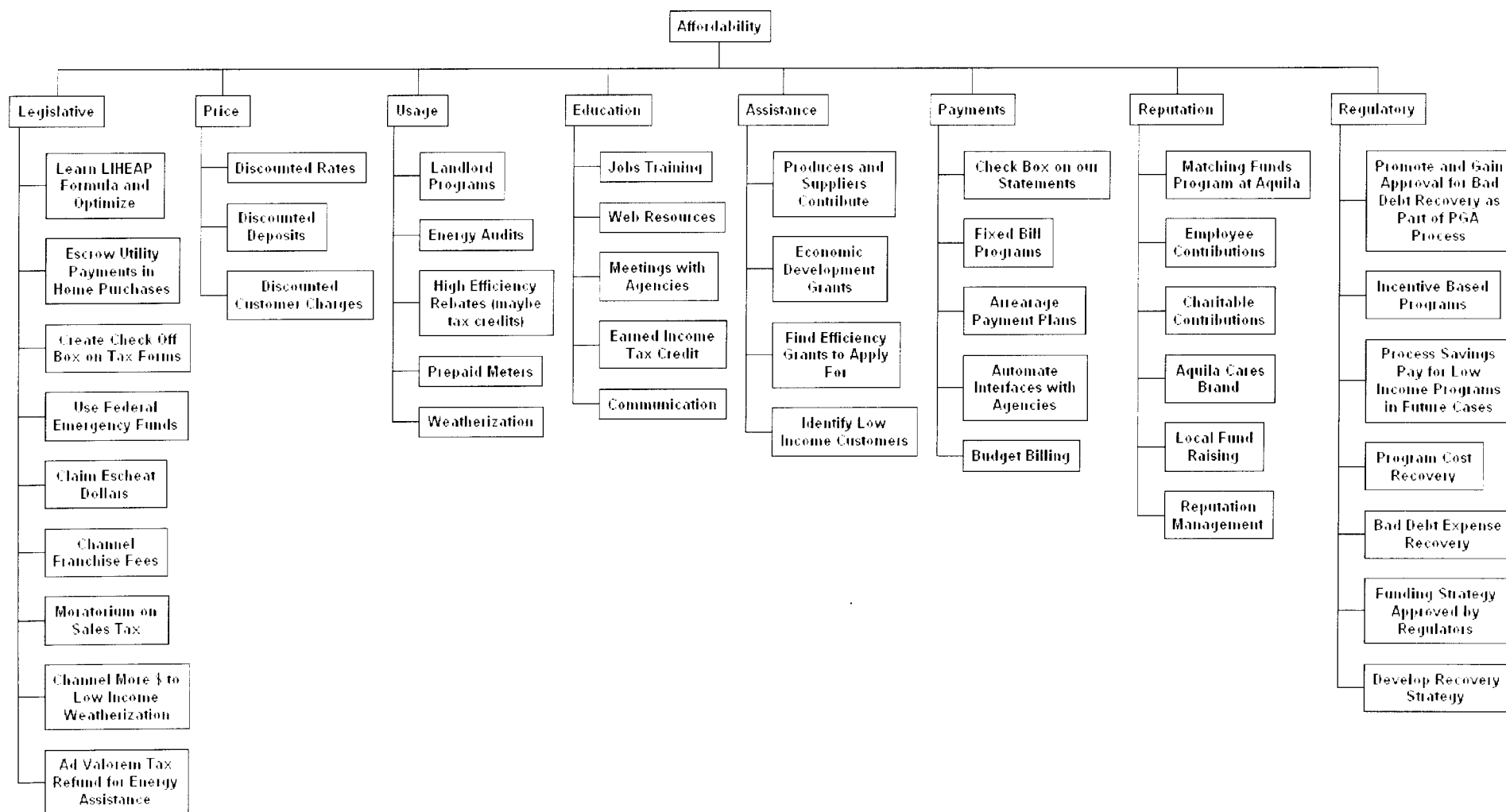
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***Affordability Initiatives,
Communications Plan,
and Summary***

**Jon Empson
Senior Vice President - Regulated Operations**



Aquila's Proactive Approach





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This is an example of the Bill Insert that is being sent to all customers.

This insert is scheduled to be sent with October bills in Missouri.

Indicates that “heating bills are expected to be dramatically higher this winter.”

Describes StreamLINE level payment plan, payment arrangements, Aquila Cares program, and provides energy saving tips.

Expect Higher Heating Bills This Winter

Like the price of gasoline, the costs of natural gas and other heating fuels are the highest ever. As a result, your heating bills are expected to be dramatically higher this winter. Even with the higher prices, natural gas continues to be the best home heating value there is – and the most popular choice, too.

Why are natural gas prices higher?

Wholesale natural gas prices have been rising because natural gas demand is increasing, particularly for gas-fueled power plants. Prices are affected by weather, too. If winter weather is cold, higher demand for natural gas will push prices up even more. Aquila does not profit from natural gas price increases. Customers pay what Aquila has already paid for natural gas supplies – and not a penny more. Gas supply costs represent about 60% of your natural gas bill.

What is Aquila doing to reduce the effect of gas supply price increases?

Aquila is committed to providing reliable natural gas service for customers at the best market prices available. The company uses a portfolio approach when purchasing natural gas supplies – purchasing its normal winter gas requirements in late spring and obtaining up to 80% of its natural gas supply from fixed price contracts, gas placed in storage and options contracts. The remaining winter gas supply is purchased at the beginning of or during each winter month at market prices.

What is Aquila doing to help customers cope with higher heating bills?

Aquila's free StreamLINE® level payment plan helps make energy bills more predictable for customers by averaging energy bills over a 12-month period. Call 1-800-303-0752 to sign up.

Aquila offers payment arrangements for customers who have trouble paying their energy bill. Call 1-800-303-0752 if you expect to have problems paying your bill.

The Aquila Cares program provides money to local assistance organizations to help qualifying individuals pay their energy bills and for the cost of repairs to vital heating and cooling systems. Aquila donates up to \$100,000 annually for energy assistance – 50 cents for every dollar that customers contribute.

Act Now To Hold Down Your Heating Bills

Using energy wisely can help reduce your home heating costs.

- Lower your furnace thermostat setting by 10% to 15% for eight hours and cut annual heating costs as much as 10%.
- Use caulk or weather stripping to seal doors and windows; can reduce monthly energy bills as much as 10%.
- Have your furnace checked annually by a professional to be sure it's operating at top efficiency.
- Lower the water heater temperature a few degrees, and use cold water whenever possible.
- Take five-minute showers, not baths. Typically a shower uses 10 to 20 gallons of water, and a bath requires about 30 gallons.
- Check your furnace filter monthly and replace if needed.
- Keep shades, blinds and drapes open during the day, closed at night.
- Go to www.aquila.com for more energy-saving tips and information.

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Aquila Cares Program

- Increased contribution from \$100,000 to \$500,000
- Aquila is donating \$250,000 directly
- Matching contributions from customers and employees up to an additional \$250,000
- Potentially \$750,000 or more available to assist individuals in need if customers and employees donate the full \$250,000



Summary

- **Gas price increases are significant, and will present a real challenge for LDCs and their customers this winter**
- **Aquila's Gas Supply Portfolio has materially mitigated, but not eliminated, the impact of these increases**
 - Forecast prices this winter to be approximately 21% higher than last year
- **Aquila is taking action to directly and indirectly address this situation for our customers**
 - Early and ongoing communications
 - Increased contribution to Aquila Cares program



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Questions?