

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

In the Matter of the Application of Aquila,)	
Inc. for Authority to Assign, Transfer,)	
Mortgage or Encumber its Utility Franchise,)	Case No. EF-2003-0465
Works or System in Order to Secure)	
Revised Bank Financing Arrangements)	

AQUILA INC.'S STATEMENT OF POSITION ON THE ISSUES PRESENTED

Comes now Applicant, Aquila, Inc. ("Aquila"), and for its Statement of Position concerning the issues presented for decision, states as follows:

1. What standard should the Commission use when evaluating whether to grant to Aquila, Inc. the authority it seeks in its application?

Aquila Inc., has filed an Application pursuant to §393.190 RSMo 2000 for authority to subject its works or system, necessary or useful in the performance of its duties to the public in the State of Missouri to the lien of an Indenture of Mortgage and Deed of Trust in order to secure its debt obligations under a \$430 million three year Credit Agreement dated as of April 9, 2003. The Commission is required to approve such applications unless doing so would be detrimental to the public interest. *State ex rel. City of St. Louis v. Public Service Commission*, 73 S.W. 2d 393, 400 (Mo. 1934); *State ex rel. Fee Fee Trunk Sewer Company v. Litz*, 596 S.W. 2d 466, 468 (Mo. App. 1980); 4 CSR 240-3.110(1)(D). The issue presented in this case is whether granting the relief sought by Aquila will cause a direct and present detriment to the public interest. *Re Missouri-American Water Company*, 9 Mo.P.S.C. 3d 56, 59 (2000).

2. Should the Commission approve Aquila's Application to encumber its Missouri jurisdictional regulated assets to secure its three-year \$430 million Term Loan Facility and related First Mortgage Bonds?

Yes. Approval of Aquila's Application will not change the *status quo* in that the relief sought will not cause any adverse impact on customer service or rates and there is no compelling evidence that doing so will cause a direct and present detriment to the public interest.

3. If the Commission approves Aquila's Application to encumber its Missouri jurisdictional regulated assets to secure its three-year \$430 million Term Loan Facility and related First Mortgage Bonds should the Commission grant Aquila authority to use the Missouri regulated assets as collateral to secure future replacement debt offerings for working capital requirements not to exceed \$430 million after the three-year term of the current Term Loan Facility expires?

Yes. Approval of this aspect of the Application will not change the *status quo* in that the relief sought will not cause any adverse impact on customer service or rates and there is no compelling evidence that doing so will cause a direct and present detriment to the public interest.

4. Should the Commission order Aquila, Inc. to submit to the Staff on a monthly basis within 21 days of the last day of each month (except on a quarterly basis for MAIFI), until Aquila, Inc.'s financial condition attains investment grade and the Staff determines that reporting is no longer necessary, the following service quality measurements:

Average Speed of Answer – All other calls
Average Speed of Answer – Emergency calls
Abandoned Call Rate

Service Level – All other calls
Service Level – Emergency calls
Percentage of Total Electric and Gas Meters Read
Number of Consecutive Estimated Meters Read
SAIFI (number of service interruption occurrences per customer)
SAIDI (hours or minutes of service interruption per customer served)
CAIDI (hours or minutes of service interruption per customer interrupted)
MAIFI (momentary average interruption frequency index)?

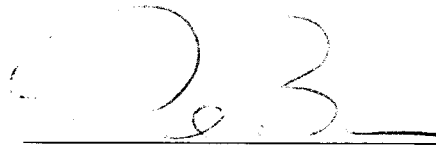
No. This is not a requirement that Staff is recommending as a condition to the Commission's approval of the Application and Staff is not otherwise entitled to any affirmative relief in this case. Moreover, Aquila is currently compiling and providing this information to Staff on a quarterly basis in accordance with a prior agreement with the Staff, which is an adequate interval to monitor effectively quality of service indices. Providing this information on a monthly basis would simply create more work for Aquila for little or no commensurate benefit.

5. Should the Commission order Aquila, Inc. to submit to the Staff the service quality measurements listed in the preceding issue description for each state in which it provides service when it completes implementing the capability to do so, and should the Staff be kept apprised of the progress of Aquila, Inc.'s implementation of its capability to capture data to report these measurements on a state-by-state basis?

No. This is not a requirement that Staff is recommending as a condition to the Commission's approval of the Application and Staff is not otherwise entitled to any affirmative relief in this case. Moreover, Aquila should not be required to provide service quality measurements for its operations located in states which are beyond the scope of the Commission's jurisdiction.

WHEREFORE, Aquila submits its Statement of Position on the Issues presented as aforesaid.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read 'P. A. Boudreau', is written over a horizontal line.

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the above and foregoing document was delivered by first class mail or by hand delivery, on this 30th day of September 2003 to the following:

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