

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

In the Matter of the Application of Kansas City)
Power & Light Company for Authority to Sell)
to Aquila, Inc., Certain Electric Transmission) Case No. EO-2005-0270
Facilities Subject to the Jurisdiction of the)
Commission and Located in Buchanan County,)
Missouri.)

AQUILA'S RESPONSE TO STAFF RECOMMENDATION

COMES NOW, Aquila, Inc. (Aquila) and, in response to the Staff Recommendation, states to the Missouri Public Service Commission (Commission) as follows:

1. Kansas City Power & Light Company's (KCPL) application in this case concerns a proposed sale of transmission facilities to Aquila. Aquila sought, and was granted, intervention in this case. On May 10, 2005, the Commission Staff filed its Staff Recommendation in this case.
2. The Staff Recommendation, in part, recommended that the proposed sale "be approved as not detrimental to the public interest, subject to the condition that Aquila be prohibited from recovering in rates any acquisition premium incurred as a result of the transaction." The Recommendation further stated that "at a minimum, the Commission should reserve its right to decide the [acquisition premium] issue at some future time."
3. Aquila hereby states that it objects to any blanket condition being imposed at this time that would prohibit it from seeking to recover in rates any acquisition premium deemed to exist as a result of the proposed transaction. Instead, Aquila

suggests that the Commission should “reserve its right to decide” this question for a future rate case.

4. Aquila believes that this approach would be appropriate because of the unique circumstances associated with this transaction and the impact the options available to Aquila would have on both Aquila and its customers.

5. Aquila’s Alabama Street Substation was recently constructed in order to serve a growing area of St. Joseph and to remove load from the Lake Road Substation, which is very old and physically constrained. The KCPL transmission line that is the subject of this case is connected to the Alabama Street Substation and provides transmission service between KCPL’s Nashua Substation and Aquila’s Lake Road Substation.

6. Aquila’s primary alternative to utilizing the subject KCPL line was to build a line terminal in the Lake Road 161kV substation and then build a separate mile of 161kV line to the Alabama Street substation. Because the Lake Road 161kV substation has no expansion room, it was estimated that it would have cost approximately \$2,000,000.00 to rebuild part of the existing substation to make room for a new line terminal. The separate 161kV transmission line was estimated to cost an additional \$850,000.00 to build (and perhaps more depending upon right of way costs).

7. A second alternative was to purchase transmission service from KCPL. KCPL’s FERC tariff rate for such transmission is \$10,560.00 per year, per MW. The load forecast estimates that this line will be utilized for 15 MW per year. Thus, it is estimated that the option of purchasing the transmission from KCPL would cost approximately \$158,400.00 per year.

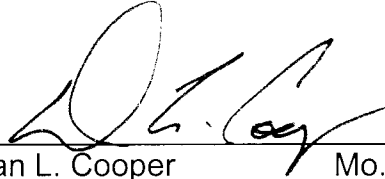
8. Aquila has agreed to purchase the portion of KCPL transmission line that is the subject of this case for \$200,000.00. Accordingly, Aquila believes that the proposed purchase of the KCPL line represents an approach that is in the best interest of its customers, even if Aquila were ultimately allowed to earn a return on and a return of the \$200,000.00 purchase price.

9. This being said, Aquila does not seek to try the acquisition premium recovery issue at this time. Instead, Aquila asks only that it be permitted to have the opportunity to present this issue for Commission consideration in a future rate case. Aquila asks that the Commission find that even if the Commission ultimately determines that rate base should be set at the purchase price, the probable increase in rates would not be detrimental to the ratepayers under the described circumstances as the solution proposed by Aquila is the most reasonable.

10 For the reasons stated herein, Aquila objects to the Staff's proposed condition that Aquila be prohibited at this time from ever seeking to recover in rates any acquisition premium incurred as a result of the transaction.

WHEREFORE, Aquila respectfully requests that the Commission consider this response to the Staff Recommendation and, thereafter, set this matter for a prehearing conference.

Respectfully submitted,



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ATTORNEYS FOR AQUILA, INC.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that I have this 20th day of May, 2005, sent a true and correct copy of the foregoing document by electronic mail to the following:

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