

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

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In the Matter of Aquila, Inc. d/b/a Aquila)	<u>Case No. ER-2005-0436</u>
Networks-MPS For Authority To File Tariffs)	
Increasing Electric Rates For the Service Provided)	
to Customers in the Aquila Networks-MPS area)	

**FEDERAL EXECUTIVE AGENCIES STATEMENT OF POSITION ON
ISSUES**

Rate of Return (Steam and Electric)

1. What return on common equity should be used for determining Aquila's rate of return?

Position: The ROE should be 9.8%.

2. What capital structure should be used for determining Aquila's rate of return?

Position: The capital structure that is appropriate to use is: 45% common equity and 55% debt.

3. What cost of debt should be used for determining Aquila's rate of return?

Position: The cost of debt for St. Joseph Power and Light Company is 7.96% and the cost of debt for Missouri Public Service Company is 6.70%.

Expense Issues

Note: Issue No. 16 needs to be restated. Issue No. 16 should be revised to read as follows:

14. CW Mining Coal Contract: What coal prices should be utilized in this case?

Position: The price in the contract with CW Mining should be what is included in this case.

15. Gas Prices: (Steam and Electric) What natural gas price should be utilized in this case?

Position: The price of Aquila's gas hedged at NYMEX, adjusted for the basis differential to the market area where Aquila buys gas.

20. Analysis of Fuel Options (Steam and Electric): Should Aquila have considered alternatives to high Btu Western coal for burning at Sibley and Lake Road, including petroleum coke and various emission control options?

Position: Yes. Aquila was deficient by not giving appropriate consideration to these alternatives.

Class Cost of Service/Rate Design

26. Rate Design/Cost of Service: What is the appropriate way to adjust class revenues for any revenue increase that results from this case?

Position: After adjusting for any change in interclass revenues from the rate design case, Case No. EO-2002-384, any increase awarded in this case should be allocated as an equal percentage across-the-board increase. Alternatively, if changes in variable fuel and purchased power costs are separately treated, then any remaining change in revenue levels should be allocated as an equal percentage applied to the current revenues (after adjustment from the cost of service case) that recover costs other than the cost of fuel.

Miscellaneous

28.

Fuel Cost Recovery: If the Commission adopts an interim energy charge, how should it be structured

Position: The amount of refundable variable fuel and purchased power amounts attributed to each rate schedule should be converted to a per kWh charge within each rate schedule.

Respectfully submitted,

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