

**STATE OF MISSOURI**  
**PUBLIC SERVICE COMMISSION**

In the Matter of Aquila, Inc. d/b/a Aquila	)	
Networks - MPS and Aquila Networks - L&P	)	Case No. ER-2007-0004
for Authority to File Tariffs Increasing	)	
Electric Rates for the Service Provided	)	
to Customers in the Aquila Networks - MPS	)	
and Aquila Networks - L&P Areas	)	

**MISSOURI DEPARTMENT OF**  
**NATURAL RESOURCES'**  
**PRE-HEARING BRIEF**

The Missouri Department of Natural Resources (MDNR), pursuant to the Commission's Order, submits this pre-hearing brief. The Commission's Order directs the parties to, among other things, state the party's position on the issues set out in the List of Issues filed by the parties on March 22, 2007. The Department has a position on only one of the issues set out in the March 22, 2007, List of Issues and will only address that issue in this pre-hearing brief.

1. On July 3, 2006, Aquila, Inc. filed with the Missouri Public Service Commission its proposed application for authority to file tariffs to effectuate a general rate increase for electric service.

2. MDNR, and specifically its Energy Center, is a state agency vested with the powers and duties set forth in Section 640.150, RSMo.

3. Issue No. 13 in the March 22, 2007, List of Issues, states as follows:

Should the Demand Side Management programs Aquila proposes be approved? If so, who should bear the costs of the program?

The Department, as set out in the Direct Testimony of Brenda Wilbers filed in this case, is arguing that Aquila's DSM programs should be based on the screening analyses and

integration of resources set out in the Commission's Electric Utility Resource Planning Rule, 4 CSR 240-22. In February, 2007, Aquila filed its Integrated Resource Plan pursuant to 4 CSR 240-22. In that 2007 IRP, Aquila should have proposed DSM programs that meet the requirements of the rule. In any event, the other parties to the 2007 IRP case, Case No. EO-2007-0298, will work to insure that the DSM programs proposed by Aquila do meet the requirements of the rule. For that reason, the Department's position in this rate case is that the DSM programs should be developed in the IRP case rather than having the Commission approve DSM programs in this case that have not undergone the analyses mandated by the IRP rule. (Wilbers Direct, pp. 5-6.)

Aquila should implement DSM programs, including energy efficiency programs. Increasing energy efficiency will reduce load growth, diversify energy resources, enhance the reliability of the grid, reduce air pollution, mitigate electrical and fuel price increases and reduce exposure to price volatility. (Wilbers Direct, pp. 5, l. 1-5.) As part of its obligation to offer reliable and efficient services to the public, Aquila should identify and then implement DSM programs selected as part of the IRP process.

The Department also proposes that Aquila ramp up its investment in cost-effective energy efficiency programs to a level of one percent of its annual sales revenue. (Wilbers Direct, p. 5, l. 19-23.) Aquila's proposed DSM annual budgets provide for a ramp up to the one percent figure in budget years 4 and 5. *Id.*

Additionally, the Department is proposing that Aquila utilize the cost recovery mechanism for DSM expenditures currently approved for Kansas City Power and Light and Empire District Electric Company. Those utilities accumulate their DSM costs in a regulatory

asset account as the costs are incurred. The utilities then amortize those costs over a ten-year period, and any amounts not included in rate base earn a rate of return. Aquila should be allowed to use this same cost recovery mechanism. (Wilbers Direct, pp. 6, l. 12-19.)

Finally, the Department will testify that the programs Aquila agreed to implement in the Stipulation and Agreement in Case Numbers ER-2005-0436 and HR-2005-0450 (consolidated) should continue to be funded at the levels set out in that Stipulation until such time as the Commission orders otherwise. (Wilbers Direct, pp. 8, l.1-13.)

WHEREFORE, the Missouri Department of Natural Resources respectfully submits its pre-hearing brief.

Respectfully submitted,

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**CERTIFICATE OF SERVICE**

I hereby certify that a true and correct copy of the foregoing was mailed, postage prepaid, by United States mail, this 29th day of March, 2007, to:

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