

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

In the Matter of an Examination of Class Cost)
of Service and Rate Design in the Missouri)
Jurisdictional Electric) Case No. EO-2002-384
Service Operations of Aquila, Inc., formerly)
known as UtiliCorp United Inc.)

AQUILA'S STATEMENT OF POSITIONS ON THE ISSUES

COMES NOW Aquila, Inc. d/b/a Aquila Networks – L&P and Aquila Networks – MPS (“Aquila”) and submits to the Missouri Public Service Commission (“Commission”) its Statement of Positions on the issues:

Class Cost of Service (“COS”) Issues

Issue Description: What is the appropriate method for allocating generation-related costs to customer classes?

Aquila Position: The Average and Excess – 3 Coincident Peak (“A&E-3CP”) is the most appropriate method for allocating generation-related costs to customer classes. It takes into account the realities of Aquila’s summer-peaking load shape, acknowledges the value of serving diverse loads, allocates some demand to all classes, does not introduce marginal cost allocations into an embedded cost study, and does not unfairly burden high load factor customers by charging them peak prices for base usage.

Issue: What is the appropriate method for allocating transmission-related costs to customer classes?

Aquila Position: The Average and Excess – 3 Coincident Peak (“A&E-3CP”) is the most appropriate method for allocating transmission-related costs to customer classes for all the same reasons listed above, plus it does not impose base, intermediate, and peaking functions on a portion of the system that is not physically divided in that manner.

Issue: What is the appropriate method for allocating distribution-related costs to customer classes?

Aquila Position: The appropriate method classifies certain distribution costs into both customer and demand components based on Aquila’s zero-intercept study as described in the direct testimony of Aquila witness David L. Stowe. This method relies on sound engineering principles, and produces reasonable and consistent results. The Office of the Public Counsel (“OPC”) is the only party who deviated from this method.

Issue: What is the appropriate classification of distribution plant into categories such as primary demand, secondary demand, primary customer-related and secondary customer-related?

Aquila Position: For those costs which can be split as primary and secondary, the appropriate method relies on Aquila’s extensive distribution studies to determine the primary and secondary splits as described in the direct testimony of Aquila witness David L. Stowe. It also applies the customer/demand split to both primary and secondary systems. Again, this method relies on sound engineering practices, follows consistent and realistic logic, and produces reasonable results. The OPC is the only party who deviated from this method.

Issue: What are the appropriate methods for allocating administrative and general expenses to customer classes?

Aquila Position: The appropriate method allocates A&G expenses to the classes based on each class's proportion of total plant. The OPC is the only party who deviated from this method.

Rate Design Issues

Issue: Should inter-class revenue adjustments be determined in this case and should inter-class revenue adjustments be implemented in this case?

Aquila Position: Inter-class revenue adjustments should be determined in this case, and implemented with the June, 2006, billing cycle, as described in the surrebuttal testimony of Aquila witness J. Matt Tracy. Failure to implement the results of the COS study would waste the efforts expended over the last three years in Case No. EO-2002-0384, and retain cross-subsidies inherent in current rates.

Issue: What are the appropriate inter-class revenue adjustments?

Aquila Position: The appropriate inter-class revenue adjustments are those indicated by Aquila's COS which uses all of the appropriate methods.

or

Issue: What is the appropriate method to determine them?

Aquila Position: The inter-class revenue adjustments are appropriately determined by Aquila's COS and should be implemented in tandem with, though not at the same time as the revenue requirement adjustment in Case No. ER-2005-0436, as described in the surrebuttal testimony of Aquila witness J. Matt Tracy.

Issue: What rate schedules should be combined, eliminated or added?

Aquila Position: Duplicate schedules should be combined, frozen schedules combined with active schedules when possible, unused schedules eliminated, and new schedules added as described in the direct testimony of Aquila witness Charles R. Gray.

Issue: What changes to the rate structures on each rate schedule are appropriate?

Aquila Position: The rate structures for Small General Service and Large General Service for both Aquila Networks – L&P and Aquila Networks – MPS should be changed to the more understandable hours-of-use format proposed in the direct testimony of Aquila witness Charles R. Gray. The proposed structures send appropriate price signals to customers, and are clearer in not presenting multiple demand charges, or base / seasonal variations. They also provide administrative benefits to Aquila by reducing the number of complex rates in Missouri for Company personnel to understand, and by changing the Missouri rates to a form similar to Aquila's Colorado rate structure. Absent a showing of specific, identifiable defects in the application of a particular rate structure, the selection of rate structures should be left to Aquila.

Issue: How should the appropriate rate values for each rate schedule be determined?

Aquila Position: The appropriate rate values are based on collecting the revenue required from each class with guidance from the COS results which provide meaningful information on cost causation by customer class. The direct testimony of Aquila witness Charles R. Gray shows Aquila's proposed rates, based on Aquila's COS results.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read 'James C. Swearengen', is written over a horizontal line.

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ATTORNEYS FOR AQUILA, INC.

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 24th day of November, 2005, to the following:

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