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August 1, 2003

**VIA EFIS FILING**

Secretary  
Missouri Public Service Commission  
Governor State Office Building  
Madison Street  
Jefferson City, Missouri 65101

**Re: Aquila, Inc. d/b/a Aquila Networks - MPS and  
Aquila Networks - L&P - Natural Gas General Rate Increase**

Dear Sir:

Provided herewith for filing on behalf of the Aquila, Inc. d/b/a Aquila Networks - MPS and Aquila Networks - L&P ("Aquila"), please find the revised tariff sheets as listed on **Appendix 1** attached hereto.

The purpose of this filing is to implement a general rate increase for natural gas service provided by Aquila and to make miscellaneous tariff changes, including combining the Aquila Networks – MPS and Aquila Networks – L&P tariffs and updating the line extension policy. The revised natural gas rates are designed to produce an additional \$5.6 million in gross annual natural gas revenues (excluding gross receipts and sales taxes) or a 11.10% increase over existing natural gas revenues for Aquila Networks - MPS. The revised natural gas rates are designed to produce an additional \$.8 million in gross annual natural gas revenues (excluding gross receipts and sales taxes) or a 13.49% increase over existing natural gas revenues for Aquila Networks – L&P. The proposed increases are necessary to recover the increased operating and maintenance expenses, depreciation and taxes, and the costs associated with the additional investment in gas distribution facilities since the Company's last rate case in 1993.

Please note that the attached tariff sheets bear an issue date of today and are proposed to become effective for service rendered on and after September 1, 2003.

In addition, provided herewith as **Appendix 2** are Aquila's Minimum Filing Requirements as described by Commission Rule 4 CSR 240-3.030.

Secretary  
Missouri Public Service Commission  
August 1, 2003  
page two

Also provided herewith on behalf of Aquila is an electronic copy of the direct testimony of the following witnesses:

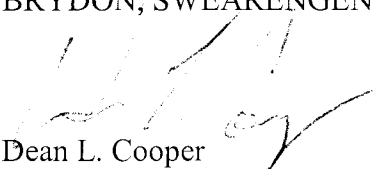
|                    |                     |                   |                     |
|--------------------|---------------------|-------------------|---------------------|
| Beverlee R. Agut   | Robert J. Amdor     | Joseph M. Bahr    | Harold E. Mikkelsen |
| Donald A. Murry    | Richard G. Petersen | Vern J. Siemek    | Ann L. Stichler     |
| Thomas J. Sullivan | Rebecca J. Tangeman | Jeffrey O. Thomas | Ronald E. White     |

Please see that this filing is brought to the attention of the appropriate Commission personnel. Two copies of the attached are being provided to the Office of the Public Counsel and the Office of the General Counsel. Thank you for your cooperation in this matter.

Sincerely yours,

BRYDON, SWEARENGEN & ENGLAND P.C.

By:

  
Dean L. Cooper

DLC/tli  
Enclosures  
cc: Office of the Public Counsel  
General Counsel

## **APPENDIX 1**

P.S.C. Mo. No. 1, Original Sheet 1  
P.S.C. Mo. No. 1, Original Sheet 2  
P.S.C. Mo. No. 1, Original Sheet 3  
P.S.C. Mo. No. 1, Original Sheet 4  
P.S.C. Mo. No. 1, Original Sheet 5  
P.S.C. Mo. No. 1, Original Sheet 6  
P.S.C. Mo. No. 1, Original Sheet 7  
P.S.C. Mo. No. 1, Original Sheet 8  
P.S.C. Mo. No. 1, Original Sheet 9  
P.S.C. Mo. No. 1, Original Sheet 10  
P.S.C. Mo. No. 1, Original Sheet 11  
P.S.C. Mo. No. 1, Original Sheet 12  
P.S.C. Mo. No. 1, Original Sheet 13  
P.S.C. Mo. No. 1, Original Sheet 14  
P.S.C. Mo. No. 1, Original Sheet 15  
P.S.C. Mo. No. 1, Original Sheet 16  
P.S.C. Mo. No. 1, Original Sheet 17  
P.S.C. Mo. No. 1, Original Sheet 18  
P.S.C. Mo. No. 1, Original Sheet 19  
P.S.C. Mo. No. 1, Original Sheet 20  
P.S.C. Mo. No. 1, Original Sheet 21  
P.S.C. Mo. No. 1, Original Sheet 22  
P.S.C. Mo. No. 1, Original Sheet 23  
P.S.C. Mo. No. 1, Original Sheet 24  
P.S.C. Mo. No. 1, Original Sheet 25  
P.S.C. Mo. No. 1, Original Sheet 26  
P.S.C. Mo. No. 1, Original Sheet 27  
P.S.C. Mo. No. 1, Original Sheet 28  
P.S.C. Mo. No. 1, Original Sheet 29  
P.S.C. Mo. No. 1, Original Sheet 30  
P.S.C. Mo. No. 1, Original Sheet 31  
P.S.C. Mo. No. 1, Original Sheet 32  
P.S.C. Mo. No. 1, Original Sheet 33  
P.S.C. Mo. No. 1, Original Sheet 34  
P.S.C. Mo. No. 1, Original Sheet 35  
P.S.C. Mo. No. 1, Original Sheet 36  
P.S.C. Mo. No. 1, Original Sheet 37  
P.S.C. Mo. No. 1, Original Sheet 38  
P.S.C. Mo. No. 1, Original Sheet 39  
P.S.C. Mo. No. 1, Original Sheet 40  
P.S.C. Mo. No. 1, Original Sheet 41  
P.S.C. Mo. No. 1, Original Sheet 42

P.S.C. Mo. No. 1, Original Sheet 43  
P.S.C. Mo. No. 1, Original Sheet 44  
P.S.C. Mo. No. 1, Original Sheet 45  
P.S.C. Mo. No. 1, Original Sheet 46  
P.S.C. Mo. No. 1, Original Sheet 47  
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P.S.C. Mo. No. 1, Original Sheet 49  
P.S.C. Mo. No. 1, Original Sheet 50  
P.S.C. Mo. No. 1, Original Sheet 51  
P.S.C. Mo. No. 1, Original Sheet 52  
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P.S.C. Mo. No. 1, Original Sheet 60  
P.S.C. Mo. No. 1, Original Sheet 61  
P.S.C. Mo. No. 1, Original Sheet 62  
P.S.C. Mo. No. 1, Original Sheet 63  
P.S.C. Mo. No. 1, Original Sheet 64  
P.S.C. Mo. No. 1, Original Sheet 65  
P.S.C. Mo. No. 1, Original Sheet 66

P.S.C. Mo. No. 1, Original Sheet R1  
P.S.C. Mo. No. 1, Original Sheet R2  
P.S.C. Mo. No. 1, Original Sheet R3  
P.S.C. Mo. No. 1, Original Sheet R4  
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P.S.C. Mo. No. 1, Original Sheet R6  
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P.S.C. Mo. No. 1, Original Sheet R31  
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P.S.C. Mo. No. 1, Original Sheet R34  
P.S.C. Mo. No. 1, Original Sheet R35  
P.S.C. Mo. No. 1, Original Sheet R36  
P.S.C. Mo. No. 1, Original Sheet R37  
P.S.C. Mo. No. 1, Original Sheet R38  
P.S.C. Mo. No. 1, Original Sheet R39  
P.S.C. Mo. No. 1, Original Sheet R40  
P.S.C. Mo. No. 1, Original Sheet R41  
P.S.C. Mo. No. 1, Original Sheet R42  
P.S.C. Mo. No. 1, Original Sheet R43  
P.S.C. Mo. No. 1, Original Sheet R44  
P.S.C. Mo. No. 1, Original Sheet R45  
P.S.C. Mo. No. 1, Original Sheet R46  
P.S.C. Mo. No. 1, Original Sheet R47  
P.S.C. Mo. No. 1, Original Sheet R48  
P.S.C. Mo. No. 1, Original Sheet R49  
P.S.C. Mo. No. 1, Original Sheet R50  
P.S.C. Mo. No. 1, Original Sheet R51  
P.S.C. Mo. No. 1, Original Sheet R52

**APPENDIX 2**

**MINIMUM FILING REQUIREMENTS**  
**GENERAL INFORMATION**

**(1) The amount of dollars of the aggregate annual increase and the percentage of the increase over current revenues which the tariff proposes**

The aggregate annual increase in Aquila, Inc.'s natural gas revenue requested by the proposed tariffs contained in this filing is \$6.4 million, or 11.35%, excluding applicable municipal gross receipts taxes. This includes an annual revenue increase of \$5.6 million, or 11.10% for Aquila Networks – MPS and an annual revenue increase of \$.8 million, or 13.49% for Aquila Networks – L&P.

**(2) Names of counties and communities affected**

AQUILA NETWORKS - MPS

Communities Affected by Filing

|             |             |                 |           |
|-------------|-------------|-----------------|-----------|
| Brookfield  | Henrietta   | Nevada          | Salisbury |
| Brunswick   | Keytesville | Otterville      | Sedalia   |
| Bucklin     | Laclede     | Owensville      | Smithton  |
| Chillicothe | Leeton      | Platte City     | Tracy     |
| Chula       | Lexington   | Richmond        | Trenton   |
| Clinton     | Marceline   | Rolla           | Utica     |
| Deerfield   | Marshall    | Rural Territory | Weston    |
| Dresden     | Meadville   | Salem           | Wheeling  |
| Glasgow     |             |                 |           |

Counties Affected by Filing

|           |           |            |        |
|-----------|-----------|------------|--------|
| Chariton  | Henry     | Livingston | Platte |
| Cooper    | Howard    | Morgan     | Ray    |
| Dent      | Johnson   | Pettis     | Saline |
| Gasconade | LaFayette | Phelps     | Vernon |
| Grundy    | Linn      |            |        |



**(4) The average change requested in dollars and percentage change from current rates for each general category of service and for all rate classifications within each general category of service**

AQUILA NETWORKS - MPS

| <u>Service and Rate Classification</u> | <u>Average Annual Change</u> | <u>Percentage Change</u> |
|--|------------------------------|--------------------------|
| Residential                            | \$108.34                     | 13.46%                   |
| General Service                        | \$145.97                     | 4.96%                    |
| Large Volume                           | \$2,646.00                   | 2.58%                    |
| Transportation                         | \$8,435.72                   | 23.55%                   |

AQUILA NETWORKS - L&P

| <u>Service and Rate Classification</u> | <u>Average Annual Change</u> | <u>Percentage Change</u> |
|--|------------------------------|--------------------------|
| Residential                            | \$99.92                      | 15.35%                   |
| General Service & Large Volume         | \$249.93                     | 8.86%                    |
| Transportation                         | \$12,265.00                  | 36.02%                   |

Note: Due to changes in rate design proposed in this case, General Service and Large Volume services were combined for Aquila Networks – L&P in this section in order to provide a meaningful comparison.



**(5) The proposed annual aggregate change by general categories of service and by rate classification within each general category of service including dollar amounts and percentage change in revenues from current rates**

AQUILA NETWORKS - MPS

| <u>Service and Rate Classification</u> | <u>Average Annual Change</u> | <u>Percentage Change</u> |
|--|------------------------------|--------------------------|
| Residential                            | \$4,428,659                  | 13.46%                   |
| General Service                        | \$791,456                    | 4.96%                    |
| Large Volume                           | \$2,709                      | 2.58%                    |
| Transportation                         | \$396,479                    | 23.55%                   |
| TOTALS                                 | \$5,619,303                  | 11.10%                   |

AQUILA NETWORKS - L&P

| <u>Service and Rate Classification</u> | <u>Average Annual Change</u> | <u>Percentage Change</u> |
|--|------------------------------|--------------------------|
| Residential                            | \$526,363                    | 15.35%                   |
| General Service & Large Volume         | \$210,439                    | 8.86%                    |
| Transportation                         | \$73,590                     | 36.02%                   |
| TOTALS                                 | \$810,391                    | 13.49%                   |

Note: Due to changes in rate design proposed in this case, General Service and Large Volume services were combined for Aquila Networks – L&P in this section in order to provide a meaningful comparison.

**(6) Copies of any press releases relative to the filing issued by the company or utility prior to or at the time of the filing**

See the attached.

**(7) A summary of the reasons for the proposed changes or a summary explanation of the reasons the additional rate is needed**

Aquila's proposed rate increase is necessary to offset increased operating and maintenance costs, depreciation and taxes, and the costs associated with the additional investment in gas distribution facilities since the Company's last rate case in 1993.



Aquila

## News Release

**Media Contact:**

George Minter – (816) 467-3772  
Aquila Media Line – (816) 467-3000

**Investor Contact:**

Neala Clark – (816) 467-3652

### **AQUILA FILES MISSOURI GAS RATE CASE WITH COMMISSION TO RECOVER SYSTEM IMPROVEMENT, OPERATING COSTS**

#### *Proposes to Share 75 Percent of Merger Savings with Customers*

KANSAS CITY, MO, August 1, 2003 – Aquila, Inc. (NYSE: ILA) today filed a request for a natural gas rate increase with the Missouri Public Service Commission to recover system improvement and operating costs incurred during the past 10 years for its former Missouri Public Service (MPS) gas territory.

In its filing, Aquila proposes to share with MPS customers the savings that resulted from the merger of Aquila and St. Joseph Light & Power in 2000.

The total proposed rate change equates to an 11.1 percent, or a \$5.6 million, increase in annual revenue that covers system investment and operating costs for Aquila's gas networks in its former MPS service area. This is the first natural gas rate distribution charge increase by Aquila since 1993 for its 46,000 customers in the service territory.

“Although we would prefer not to file for a rate increase, we must seek to recover the costs associated with maintaining safe, reliable gas service for our customers,” said Jon Empson, senior vice president of regulatory, legislative and gas supply services for Aquila. “The increase request is unrelated to the actual cost of the gas commodity, which the company provides to its customers at the same price it is able to obtain gas supplies.”

Under the proposal, a typical residential customer using 802 Ccf (one Ccf equals 100 cubic feet) of natural gas a year would have an increase of \$9.03 per month, or \$108.36 annually. A typical commercial customer using 1,296 Ccf of natural gas a year would have an increase of \$12.37 a month or \$148.44 annually.

-more-

The proposed new residential and commercial customer rates include an increase in the monthly customer charge, which is used to pay a portion of the operation and maintenance costs for the gas distribution system. These expenses include items such as billing, meter reading, equipment and labor, which are incurred regardless of the amount of energy consumed.

“During the past 10 years, we’ve made significant investments to improve the reliability and safety of our gas distribution system while enhancing customer service,” Empson said. “The company’s 10-year average of operating expenses has grown less than the rate of inflation, but like all other businesses, eventually the company must adjust its prices to recover the increased cost of doing business.”

Empson added that under the oversight of the Missouri Public Service Commission, Aquila has been careful to segregate the operations of its non-regulated business from its Missouri utility operations. As a result, the company’s recent financial difficulties and exit from the energy marketing and trading business are unrelated to the rate increase request.

To help reduce the size of the rate increase, the company proposes to share 75 percent of the savings achieved through the merger of Aquila and St. Joseph Light & Power in 2000. The plan is to use 50 percent of those savings, equaling approximately \$230,000, to reduce the size of the rate increase in the former MPS gas territory. It is proposed that another 25 percent will be used to provide funds for persons who cannot afford to pay for energy. Aquila envisions that this fund, estimated at around \$115,000 a year, would be handled by a state or local charity organization.

In July, Aquila filed a rate increase request with the Commission for the electric operations of its former Missouri Public Service and St. Joseph Light & Power service areas.

Aquila serves 338,000 electric and natural gas customers in Missouri. Based in Kansas City, Mo., Aquila operates electricity and natural gas distribution networks serving customers in the United States, Canada and the United Kingdom.

In the United States, the company provides energy service to 1.3 million customers in Missouri, Kansas, Colorado, Michigan, Minnesota, Iowa and Nebraska. More information is available at [www.aquila.com](http://www.aquila.com).

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Aquila

**News Release**

**Media Contact:**

George Minter – (816) 467-3772

Aquila Media Line – (816) 467-3000

**Investor Contact:**

Neala Clark – (816) 467-3652

**AQUILA FILES GAS RATE CASE FOR ST. JOSEPH REGION  
TO RECOVER SYSTEM IMPROVEMENT, OPERATING COSTS**

***Proposes to Share 25 Percent of Merger Savings Through Energy Assistance***

KANSAS CITY, MO, August 1, 2003 – Aquila, Inc. (NYSE: ILA) today filed a request for a natural gas rate increase with the Missouri Public Service Commission to recover system improvement and operating costs incurred in its former St. Joseph Light & Power gas service area.

In its filing, Aquila proposes to share with low-income energy users the savings that resulted from the merger of Aquila and St. Joseph Light & Power in 2000.

The total proposed rate change equates to a 13.5 percent, or \$810,000, increase in annual revenue that covers system investment and operating costs for Aquila's gas networks in its former St. Joseph service territory. This is the first natural gas rate distribution charge increase since 1993 for the 6,000 customers in the service area.

“Although we would prefer not to file for a rate increase, we must seek to recover the costs associated with maintaining safe, reliable gas service for our customers,” said Jon Empson, senior vice president of regulatory, legislative and gas supply services for Aquila. “The increase request is unrelated to the actual cost of the gas commodity, which the company provides to its customers at the same price it is able to obtain gas supplies.”

Under the proposal, a typical residential customer using 863 Ccf (one Ccf equals 100 cubic feet) of natural gas a year would have an increase of \$8.33 per month or \$99.96 annually. A typical commercial customer using 1,164 Ccf of natural gas a year would have an increase of \$14.13 a month or \$169.56 annually.

-more-

The proposed new residential and commercial customer rates include an increase in the monthly customer charge, which is used to pay a portion of the operation and maintenance costs for the gas distribution system. These expenses include items such as billing, meter reading, equipment and labor, which are incurred regardless of the amount of energy consumed.

“During the past four years, we’ve made investments to improve the reliability and safety of our gas distribution system while enhancing customer service,” Empson said.

Empson added that under the oversight of the Missouri Public Service Commission, Aquila has been careful to segregate the operations of its non-regulated business from its Missouri utility operations. As a result, the company’s recent financial difficulties and exit from the energy marketing and trading business are unrelated to the rate increase request.

To help reduce the impact of the rate increase on low-income customers, the company proposes to share 25 percent of the savings achieved through the merger of Aquila and St. Joseph Light & Power in 2000 with persons who cannot afford to pay for energy. Aquila envisions that this fund, estimated at around \$115,000 a year, would be handled by a state or local charity organization.

In July, Aquila filed a rate increase request with the Commission for the electric operations of its former Missouri Public Service and St. Joseph Light & Power service areas.

Aquila serves 338,000 electric and natural gas customers in Missouri. Based in Kansas City, Mo., Aquila operates electricity and natural gas distribution networks serving customers in the United States, Canada and the United Kingdom.

In the United States, the company provides energy service to 1.3 million customers in Missouri, Kansas, Colorado, Michigan, Minnesota, Iowa and Nebraska. More information is available at [www.aquila.com](http://www.aquila.com).

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