

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

In The Matter of the Application of Aquila, )  
Inc. for Approval of its Experimental )  
Regulatory Plan and for a Certificate of )  
Convenience and Necessity Authorizing )  
it to Participate in the Construction, Ownership, )  
Operation, Maintenance, Removal, )  
Replacement, Control and Management of )  
a Steam Electric Generating Station in )  
Platte County, Missouri, or alternatively for an )  
Order specifically confirming that Aquila, Inc. )  
has the requisite authority Under its )  
Existing Certificate(s). )

Case No. EO-2005-0293

**SECOND AMENDED APPLICATION**

COMES NOW Aquila, Inc., (hereinafter "Aquila" or "Company"), and for its Second Amended Application in the captioned matter respectfully states as follows to the Missouri Public Service Commission ("Commission"):

1. On March 2, 2005, Aquila filed with the Commission the Application which is the subject of the captioned matter and on May 25, 2005, filed its First Amended Application. As a result of further meetings and discussions among the parties, Aquila has now determined that it is appropriate to again amend the Application by further limiting the relief which it seeks.

2. Specifically, by its Second Amended Application, Aquila seeks Commission approval to use certain of its MPS operating division electric properties as collateral to support the Company's financing arrangements which are necessary to permit Aquila's participation in Iatan Unit 2 at an ownership level of not less than 100MW of the anticipated 850MW rating of said unit (or a

ratably lower share in the event that Iatan Unit 2 ultimately receives a lower rating) and participation in Iatan Unit 1 air pollution control upgrades.

3. To initially finance its participation in Iatan Unit 2 during construction, Aquila intends to arrange for a new debt instrument consisting of an up to \$300 million senior secured delayed multi-draw term loan ("the Facility"). The Facility will allow Aquila to make cash draws to fund expenditures related to its portion of the Iatan Unit 1 air pollution control upgrades and its portion of the Iatan Unit 2 construction costs (collectively hereinafter, the "Project") and to issue letters of credit, as necessary, to support these undertakings. For illustrative purposes only, a Highly Confidential Indicative Summary of the Facility is marked **Second Amended Application Appendix 1**, attached hereto and made a part for all purposes. Marked **Second Amended Application Appendix 2**, to be late-filed in substantially final form, is a Highly Confidential Indicative Summary of the Terms and Conditions for the \$300 million Senior Secured Delayed Draw Term Loan. The Facility will mature shortly after the Iatan Unit 2 targeted completion date and will be replaced at that time with an appropriate mix of equity and debt financing.

4. In connection with the Facility, it will be necessary for Aquila to issue First Mortgage Bonds under its Indenture of Mortgage and Deed of Trust or to otherwise create a first mortgage lien on the electric properties of the Company's MPS operating division. Consequently, by this Second Amended Application, Aquila seeks Commission authority to encumber the electric

properties of its MPS operating division and/or to create a lien on said properties in order to secure the Facility.

5. The public interest will be served by Aquila's participation in the Project and continued ability to provide reliable electric utility service to its Missouri customers. Therefore, the encumbrance of the electric properties of its MPS division, as requested herein, will not be detrimental to the public, but in fact will promote the public interest. Furthermore, the encumbrance of the involved electric properties will not materially increase the risk of Aquila's customers. Instead, the encumbrance will simply affect the comparative rights of the lenders under the Facility compared to Aquila's general creditors.

6. The encumbrance of the involved electric properties will have no adverse impact on the tax revenues of the political subdivisions in which any of the structures, facilities or equipment of Aquila are located. The involved transactions will not result in a change of ownership of the involved properties nor will they result in the change in the present location of any of the affected utility assets. To the contrary, the Project will generate additional property tax dollars for state and local agencies.

7. Marked as **Second Amended Application Appendix 3**, to be late-filed, is a certified copy of the Resolutions of the Board of Directors of Aquila authorizing the encumbrance, the financing and related transactions.

8. Marked as **Second Amended Application Highly Confidential Appendices 4 and 5** respectively, are a balance sheet and income statement with adjustments showing the effects of entering into the Facility upon Aquila's

bonded and other indebtedness and stock authorized and outstanding and Aquila's five (5) year capitalization expenditure schedule. No portion of the Facility is subject to the fee schedule in section 386.300, RSMo.

9. Aquila is willing to accept conditions on the authority requested by its Second Amended Application that would limit the use of the proceeds derived from the Facility to the Company's costs associated with the Project and to put in place procedures that will enable the Commission's staff, the Office of the Public Counsel and other proper parties to verify said use. Additionally, the Company is willing to accept conditions on any such approval that would ensure that a purchaser would assume unfunded obligations for Iatan Unit 1 air pollution control upgrades in the event Aquila enters into an agreement to sell its Aquila Networks-L&P electric system and, further, would provide for the reimbursement of outlays made by Aquila Networks-MPS for such purpose prior to the date the system is sold.

10. By virtue of this Second Amended Application, the Company is not requesting the Commission to make any findings or determinations for ratemaking purposes with respect to its participation in the Project.

11. Aquila, as the successor to St. Joseph Light & Power Company ("SJLP"), holds a certificate of convenience and necessity issued to SJLP in Case No. 17,895 on November 14, 1973, that authorizes SJLP (now Aquila) "...to participate in the construction, ownership, operation, maintenance, removal, replacement, control and management of Iatan Steam Electric Generating Station...as a tenant in common with undivided ownership interests in all or any

portions thereof.” The term “Iatan Steam Electric Generating Station” is defined in that Order as a “multi-unit site designed for four generating units to be constructed and operated by KCPL.” In addition to this authority, Aquila holds area certificates which together encompass a portion, if not all, of the site of the Iatan Steam Electric Generating Station. In view of the foregoing, Aquila submits that the certificates now held by the Company provide authority to participate in Iatan Unit 2.

12. Aquila reaffirms and incorporates herein by reference all of the other factual allegations and statutory and rule references contained in its March 2, 2005, Application and its May 25, 2005, First Amended Application.

13. Aquila files this Second Amended Application limiting the relief which it seeks without prejudice to and specifically reserving its right to subsequently seek, in another docket or dockets, the other relief sought by its March 2, 2005, Application and May 25, 2005, First Amended Application. This other relief includes, but is not limited to, a Commission finding that Aquila’s participation in Iatan Unit 2 is necessary in order to fulfill the post-2009 capacity requirements of the customers of the Company’s MPS operating division; a Commission finding that Aquila’s participation in the air pollution control upgrades for Iatan Unit 1 is necessary to serve the customers of the Company’s L&P operating division; and a Commission order granting to Aquila a certificate of public convenience and necessity or, alternatively for an order specifically confirming that Aquila has the requisite authority under its existing certificate(s) to participate in Iatan Unit 2.

WHEREFORE, Aquila respectfully requests that the Commission issue its order:

- a. authorizing Aquila to encumber the electric property of its MPS operating division as security for the Facility finding that said mortgage or encumbrance of the franchise, works or system of Aquila necessary or useful in the performance of its duties to the public in the State of Missouri, as described herein in order to secure its obligations under the Facility, is not detrimental to the public interest and should be authorized.
- b. authorizing Aquila to enter into any and all related agreements or documents and to take any and all actions which may be reasonably necessary and incidental to the mortgage or encumbrance of its franchise, works or system to secure its obligations under the Facility, all as described herein.
- c. finding that its approval of the Second Amended Application is not binding for ratemaking purposes and reserving the right to examine the ratemaking implications of the proposed transaction in a future rate case proceeding.
- d. granting such other relief as may be necessary and appropriate to accomplish the purposes of this Second Amended Application.

Respectfully submitted,

/s/

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Attorneys for Applicant 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 10<sup>th</sup> day of June, 2005 to the following:

General Counsel's Office  
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## **APPENDICES**


- Appendix 1 Indicative Summary of the Facility ("Highly Confidential")
- Appendix 2 Indicative Summary of the Terms and Conditions for the \$300 million Senior Secured Delayed Draw Term Loan ("Highly Confidential")
- Appendix 3 Certified copy of the Resolutions of the Board of Directors of Aquila authorizing the encumbrance, the financing and related transactions
- Appendix 4 Balance Sheet ("Highly Confidential")
- Appendix 5 Income Statement ("Highly Confidential")



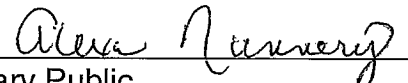
VERIFICATION

STATE OF MISSOURI     )  
                                  ) ss  
COUNTY OF JACKSON    )

I, Dennis R. Williams, having been duly sworn upon my oath, state that I am the Vice President of Regulatory Services of Aquila Networks; that I am duly authorized to make this Affidavit on behalf of Aquila Networks; and that the matters and things stated in the foregoing Second Amended Application are true and correct to the best of my information, knowledge and belief.

  
Dennis R. Williams

Subscribed and sworn to before me this 3<sup>rd</sup> day of June, 2005.

  
Notary Public

My Commission expires:

5-4-2008

