

FILED²

BEFORE THE PUBLIC SERVICE COMMISSION DEC 23 2005
OF THE STATE OF MISSOURI

Missouri Public
Service Commission

In the Matter of the Tariff Filing of Aquila,)
Inc., to Implement a General Rate Increase for)
Retail Electric Service Provided to Customers)
in its MPS and L&P Missouri Service Areas.)

Case No. ER-2005-0436

In the Matter of the Tariff Filing of Aquila,)
Inc., to Implement a General Rate Increase for)
Retail Steam Heat Service Provided to)
Customers in its L&P Missouri Service Area.)

Case No. HR-2005-0450

STATEMENT OF POSITIONS

Comes now the Office of the Public Counsel and offers its Statement of Positions on the agreed-upon list of issues. Public Counsel's positions are shown in bold after each issue.

REVENUE REQUIREMENT

Rate of Return

1. Return on Common Equity (Electric and Steam): What return on common equity should be used for determining Aquila's rate of return? **The return on common equity should be 9.95%.**
2. Capital Structure (Electric and Steam): What capital structure should be used for determining Aquila's rate of return? **The actual capital structure at the end of calendar year 2004 of 67.3% debt and 32.7% equity should be used.**
3. Cost of Debt (Electric and Steam): What cost of debt should be used for determining Aquila's rate of return? **Cost of debt should be 6.7% for the MPS division and 7.96% for the L&P division.**

Rate Base Issues

4. Generation Resources (Electric): What are the prudent types and amounts of generation resources to include in Aquila Networks-MPS's rate base? **Public Counsel generally supports Staff's approach on this issue.**
5. South Harper (Electric): What costs related to the South Harper facility, if any, should be included in Aquila Networks-MPS's rate base?

- a. When should allowances for funds used during construction be treated as beginning and ending, and what is the appropriate AFUDC rate?
 - b. What cost for test power should be treated as being included in Aquila Networks-MPS's rate base?
 - c. Should the costs of fee and professional services payments Aquila made to or for the benefit of the City of Peculiar for Aquila to enter into a Chapter 100 financing arrangement with the City of Peculiar be included in Aquila Networks-MPS's rate base?
 - d. South Harper Exclusions – should various legal, consulting and other costs included by Aquila as costs of construction be allowed rate base treatment?
 - e. If the costs related to the South Harper facility are not included in Aquila's rate base, should the cost of service reflect an alternative amount?
 - f. What total cost for the combustion turbines and related equipment transferred to Aquila, Inc. from Aquila Equipment, LLC and installed at Aquila's South Harper facility should be included in Aquila-Networks-MPS's rate base?
6. AAOs (Electric): Should the unamortized balance of the accounting authority orders the Commission issued for the Rebuild and Western Coal Conversion of Aquila's Sibley generating facility be included in Aquila Networks-MPS's rate base? **No.**
 7. Deferred Taxes – AAO (Electric): Should deferred income taxes associated with the Sibley and Ice Storm accounting authority orders be determined and applied as an offset to Aquila Network-MPS's rate base? **Yes.**
 8. Deferred Tax Balances: (Electric and Steam) Should deferred tax debit balances related to non-rate base accruals and reserves be included in the accumulated deferred income tax balances deducted from plant in service in the determination of Aquila Networks-MPS's and Aquila Networks-L&P's rate bases? **Public Counsel supports Staff's position on this issue.**

Alternatively,

Should certain deferred tax timing differences be included in the accumulated deferred tax balances (added/deducted) from plant in service in the determination of rate base?

9. Accounts Receivable Program (Electric): Should customer accounts receivable be treated as being sold for purposes of determining Aquila Network-MPS's and Aquila Networks-L&P's cash working capital included in rate base? **Public Counsel supports Staff's position on this issue.**

10. 20 West 9th: (Electric and Steam) What cost should be included in Aquila Networks-MPS's and Aquila Networks-L&P's rate bases for Aquila's 20 West 9th headquarters/annex? **\$2,374,369 for L&P and \$6,468,107 for MPS.**
11. SO₂ Emissions Costs (Electric): What level of SO₂ emissions costs should be included in rate base? **\$276,500 for L&P and \$217,377 for MPS.**

Expense Issues

12. SO₂ Emissions Costs (Electric): What level of SO₂ emissions costs should be included in expense? **\$154,043 for MPS (no adjustment proposed for L&P).**
13. Generation Resources (Electric): What are the prudent types and amounts of generation resources for determining fuel and purchased power expense for Aquila Networks-MPS and Aquila Networks-L&P? **Public Counsel generally supports Staff's approach on this issue.**
14. Spot Market (Electric and Steam): How should prices for power Aquila purchases on the spot market be determined? **Public Counsel supports Staff's position on this issue.**
15. Purchased Power (Electric and Steam): How should prices for power based on purchased power contracts be determined? **Public Counsel supports Staff's position on this issue.**
16. Coal Prices: (Electric and Steam) On what prices should Aquila's coal fuel expense be based in setting rates? **Public Counsel generally supports Staff's approach on this issue.**
17. Natural Gas Prices: (Electric and Steam) On what prices should Aquila's natural gas expense be based in setting rates? **Public Counsel supports Staff's position on this issue.**
18. Fuel Oil Prices: (Electric and Steam) On what price should Aquila's fuel-oil-in-inventory expense be based in setting rates? **Public Counsel supports Staff's position on this issue.**
19. 20 West 9th: (Electric and Steam) What expense for Aquila's 20 West 9th headquarters/annex should be used in setting Aquila Networks-MPS's and Aquila Networks-L&P's rates? **\$307,327 for L&P and \$925,772 for MPS.**
20. SERP: (Electric and Steam) Are the costs of Aquila's supplemental employee retirement plan (SERP) an expense Aquila should recover from Aquila Networks-MPS and Aquila Networks-L&P ratepayers? **Public Counsel supports Staff's position on this issue.**

21. L&P Transition Costs (Electric and Steam): Are the transition costs of the merger of St. Joseph Light & Power Company with Aquila an expense Aquila should recover from Aquila Networks-MPS and Aquila Networks-L&P ratepayers? **No.**
22. FAS 106 Funding: (Electric and Steam) How should Aquila's FAS 106 funding deficiency be addressed in this case?

Alternatively,

FAS 106 Funding: How should Aquila's FAS 106 funding deficiency, if any, be addressed in this case?

23. FAS 106 Funding: (Electric and Steam) Should the computation of Aquila's FAS 106 funding deficiency include the time value of the delay in the contributions to the fund? **Yes.**

Alternatively,

FAS 106 Funding: Should the computation of Aquila's FAS 106 funding deficiency, if any, include the time value of the delay in the contributions to the fund?

24. South Harper Expenses (Electric): What expenses related to the South Harper facility should Aquila recover from Aquila Networks-MPS's ratepayers?
 - a. PILOTS: Should the cost of payments-in-lieu-of-taxes (PILOTs) made as part of a Chapter 100 financing arrangement in connection with the South Harper facility be included as an expense Aquila recovers from Aquila Networks-MPS's ratepayers?
 - b. Property Taxes: Should the cost of property taxes on the South Harper facility be included as an expense Aquila recovers from Aquila Networks-MPS's ratepayers?
 - c. Fees: Should the amortization of costs of fee and professional services payments Aquila made to or for the benefit of the City of Peculiar for Aquila to enter into a Chapter 100 financing arrangement with the City of Peculiar in connection with the South Harper facility be included as an expense Aquila recovers from Aquila Networks-MPS's ratepayers?
25. Corporate Restructuring: (Electric and Steam) Should there be a disallowance of corporate restructuring expenses for Aquila Networks-MPS and Aquila Networks-L&P and, if so, in what amount? **Public Counsel supports Staff's position on this issue.**

26. Low Income Weatherization Assistance (Electric): Should an amount for low-income customer weatherization assistance programs be included in Aquila Networks-MPS's and Aquila Networks-L&P's cost of service? If so, what amount should be included, how should it be funded, which programs should be included, and what kind of review should be ordered by the Commission? **Public Counsel supports Staff's position on this issue.**
27. Demand Side Management (Electric): Should an amount for energy efficiency services to residential and commercial customers be included in Aquila Networks-MPS's and Aquila Networks-L&P's cost of service? If so, what amount should be included, how should it be funded, which programs should be included, and what kind of review should be ordered by the Commission? **Public Counsel supports Staff's position on this issue.**

CLASS COST OF SERVICE/RATE DESIGN

28. Rate Design/Cost-of-Service (Electric): How should the Commission determine what, if any, shifts in class revenues for Aquila Networks-MPS and Aquila Networks-L&P should be made in this case?
29. Rate Design/Cost-of-Service (Electric): How should any revenue increase for Aquila Networks-MPS or Aquila Networks-L&P that results from this case be implemented in rates?

Alternatively, to 28 and 29,

What is the appropriate way to adjust class revenues for any revenue increase that results from this case? **The Commission should move classes no more than half way to the revenue neutral shifts indicated by Public Counsel's Class Cost of Service studies, limited by the amount of any rate increase. No customer class should receive a net decrease as the combined result of: (1) the revenue neutral shift that is applied to that class, and (2) the share of the total revenue increase that is applied to that class.**

RELIABILITY ISSUES

30. Service Reliability (Steam): Should Aquila be directed to study any alleged recent reliability problems on its steam system, identify solutions, and report its findings to the Commission and interested parties? **Public Counsel takes no position on this issue.**
31. System Resource Study and Plan: (Steam) Should Aquila be directed to perform a study of steam production resources to include the results of the reliability review and to identify economical alternatives for the provision of steam service, and report its findings to the Commission and interested parties? **Public Counsel takes no position on this issue.**

FUEL COST RECOVERY

32. IEC (Electric and Steam): If the Commission adopts an interim energy charge, how should it be structured?
- a. What natural gas costs/prices should be included in the charge?
 - b. What coal costs/prices should be included in the charge?
 - c. What purchased power costs/prices should be included in the charge?
 - d. What SO₂ emission credits should be included in the charge?
 - i. Should Aquila be required to use pet coke as a fuel to reduce SO₂ emissions?
 - e. Should the IEC be established and trued-up on a divisional basis (for MPS and for L&P separately) or on a unified basis (MPS and L&P combined)?
 - f. Additional items to consider include treatment of off-system sales and hedging program cost/benefits.

The Commission should only adopt an interim energy charge pursuant to an agreement of the parties, with treatment of items a-f addressed in the agreement.

33. IEC Rate Design (Electric and Steam): If the Commission adopts an interim energy charge, how should the cost of the charge be allocated to customer classes in setting rates?
- a. How should natural gas costs be allocated to customer classes?
 - b. How should coal costs be allocated to customer classes?
 - c. How should purchased power costs be allocated to customer classes?
 - d. How should SO₂ emission credits be allocated to customer classes?
 - e. How should off-system sales and hedging program cost/benefits be allocated to customer classes?

The Commission should only adopt an interim energy charge pursuant to an agreement of the parties, with treatment of items a-e addressed in the agreement.

ANALYSIS OF FUEL OPTIONS (Steam and Electric)

34. 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?

All potential options should have been considered.

Respectfully submitted,

OFFICE OF THE Public Counsel

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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been emailed to all parties this 23rd day of December 2005.

By: 