



ATTORNEY GENERAL OF MISSOURI

JEFFERSON CITY
65102

JEREMIAH W. (JAY) NIXON
ATTORNEY GENERAL

P.O. Box 899
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February 13, 2004

Public Service Commission
Governor Hotel
Jefferson City, MO 65102


RE: Aquila Networks Electric Rate Case, Case No. ER-2004-0034

Dear Sir/Madam:

Enclosed for filing please find an original and 9 copies each of Missouri Department of Natural Resources' Statement of Position and Motion to File Out of Time in the above-styled matter. Please stamp "filed" on the extra copies for my files. Thank you.

Sincerely,

JEREMIAH W. (JAY) NIXON
Attorney General


SHELLEY A. WOODS
Assistant Attorney General

SAW:pah
Enclosure
c: Counsel of Record

BEFORE THE PUBLIC SERVICE COMMISSION
STATE OF MISSOURI

FILED

FEB 13 2004

Missouri Public
Service Commission

In the Matter of the Request of Aquila, Inc., d/b/a)
Aquila Networks-L&P and Aquila Networks-MPS,)
to Implement a General Rate Increase in Electric)
Rates.)

Case No. ER-2004-0034

**MISSOURI DEPARTMENT OF NATURAL RESOURCES' STATEMENT OF
POSITION**

EXPENSE ISSUES

1. What natural gas price should be used in determining rates? The Missouri Department of Natural Resources does not have a position on this issue.
2. Manufactured Gas Plant Remediation Costs. Should the electric ratepayers of Aquila's MPS division be required to pay rates that recognize allocated costs of remediation activities associated with Aquila's gas operation defunct manufactured gas plant? The Missouri Department of Natural Resources does not have a position on this issue.
3. What price of fuel and purchased power for native load should be included in permanent rates? The Missouri Department of Natural Resources does not have a position on this issue.
4. Should the Commission adopt an interim rate mechanism for fuel and purchased power as a means of addressing the price volatility of those items? The Missouri Department of Natural Resources does not have a position on this issue.
5. If so, what interim rate mechanism should the Commission adopt? The Missouri Department of Natural Resources does not have a position on this issue.

6. Purchase Power Energy Costs.
7. Demand Costs - Aires Contract.
8. Gas Cost Cap.
9. Pension Expense and Prepaid Pension Asset Amortization.
10. Bad Debt Expense
11. Interest on Accounts Receivable-CWC.
12. Property Taxes.
13. Supplemental Retirement Plan - SERP.
14. April 1, 2004 Payroll increase.
15. Cost of Removal.
16. Depreciation Expense.
17. Merger Savings Sharing - O & M, & Joint Dispatch.
18. Incentive Compensation.
19. State Based Restructuring Costs -Severance Costs.
20. Corporate Restructuring Costs - Labor and Non-Labor.
21. Income Tax - Straight Line Tax Depreciation.
22. Amortization of Accounting Authority Orders
23. Corporate Restructuring Costs.

The Department does not have a position on the above-issues.

OTHER ISSUES

24. Service Quality & Reliability.

25. Accounting Record-Keeping,

26. Should Aquila be required to maintain a detailed general ledger, for its regulated Missouri utilities, that is similar in nature, appearance and content as that previously maintained by the regulated utility divisions prior to Aquila's subsequent change over to its relatively new People Soft Accounting System? The Department does not have a position on this issue.

27. Low-Income Customer Weatherization and Assistance Programs - Should an amount for low-income customer weatherization and assistance programs be included in cost of service? The Department of Natural Resources' position is that \$282,000 annually, for low-income weatherization and assistance programs should be included in the cost of service for the Company. Weatherization is a cost-effective way to help low-income families pay their energy bills year after year, reduces state and federal assistance needed to pay higher utility bills, reduces arrearages and helps reduce environmental pollution.

28. If so, what amount should be included? \$218,000 for Aquila Network-MPS and \$64,000 for Aquila Network-L&P, for a total of \$282,000 annually.

Energy Efficiency Services to Residential and Commercial Customers.

29. Should an amount for energy efficiency services to residential and commercial customers be included in cost of service? If so, what amount should be included?

The Department of Natural Resources' position is that energy efficiency programs should be provided to residential and commercial customers and be included in the Company's cost of service. Cost-effective energy efficiency programs help mitigate the impact of fuel price volatility, reduce environmental pollution, reduce stress on the transmission and distribution systems, and keeps more money in the local economy rather than spending it on energy purchases.

30. If so, what amount should be included? \$210,000 in one-time costs and \$105,000, annually, residential on-line audits; \$50,000, annually for commercial/industrial energy efficiency audits; \$35,000 annually to promote the Energy Star program

31. Wind Energy Assessment - Should an amount to conduct an assessment of Missouri's wind energy resources in the Aquila-L&P service territory be included in the cost of service? Yes, the Department's position is that Aquila should assess the potential of wind energy in its service area based on new data available. Wind energy, a renewable resource, is now a economic means of producing energy and one that Aquila is utilizing in other jurisdictions.

32. If so, what amount should be included? \$33,333 over a three year period, for a total of \$100,000 to complete a wind energy assessment project.

Respectfully submitted,

JEREMIAH W. (JAY) NIXON
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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed or hand-delivered to the following this ~~20th~~ day of ~~August 2003~~:

13th February, 2004:

NATHAN WILLIAMS

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A handwritten signature in cursive script, reading "Shelly A. Poole". The signature is written in black ink and is centered on the page.