

**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

FIRST AMENDED APPLICATION

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

BACKGROUND

1. On March 2, 2005, Aquila filed with the Commission the Application which is the subject of the captioned matter. Thereafter, the parties to this proceeding engaged in meetings and discussions concerning the Application. As a consequence, Aquila has now determined that it is appropriate to amend the Application by limiting the relief which it seeks.

2. Specifically, by its First Amended Application, Aquila now seeks Commission approval of the Company's plan to finance its participation in Unit 2. In addition, Aquila seeks Commission approval to use certain of its electric properties as collateral to support this financing. Also, Aquila requests permission, approval and a certificate of public convenience and necessity to

participate in the construction, ownership, operation, maintenance, removal, replacement, control and management of a steam-electric generating station to be located within a proposed site area on the left bank of the Missouri River near Upper Iatan Bend in Platte County, Missouri, Iatan Unit 2, or alternatively for an order specifically confirming that Aquila has the requisite authority under its existing certificate(s) for these undertakings.

FINANCING AND COLLATERAL

3. To initially finance its participation in Iatan Unit 2 during construction Aquila intends to arrange for a new debt instrument consisting of 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 Iatan Unit 2 construction costs and to issue letters of credit, as necessary, to support this undertaking. For illustrative purposes only, a Highly Confidential Indicative Summary of the Facility is marked **Appendix 1**, attached hereto and made a part for all purposes. 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. By this First Amended Application, Aquila seeks approval of the Commission to enter into the Facility. (To the extent that prior to making cash draws on the Facility Aquila determines that another form of financing would be more appropriate, Aquila will so advise the Commission and the parties and seek Commission approval of same).

4. In connection with the Facility, Aquila anticipates that it may be necessary 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.

5. By this First Amended Application, Aquila seeks Commission approval of these undertakings. Specifically, Aquila seeks authority to enter into the Facility and 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.

6. The public interest will be served by Aquila's continued ability to provide reliable electric utility service to its Missouri customers. Consequently, the encumbrance of its electric properties 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.

7. The encumbrance of the involved electric properties will have no 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.

8. Marked as late-filed **Appendix 2**, is a certified copy of the Resolutions of the Board of Directors of Aquila authorizing the involved financing and related transactions.

CERTIFICATE

9. By its March 2, 2005 Application, Aquila indicated that the Commission may determine that the Company needs a certificate of convenience and necessity to participate in Iatan Unit 2. Aquila, however, as the successor to St. Joseph Light & Power Company ("SJLP") holds a certificate issued to SJLP in Case No. 17,895 on November 14, 1973, which 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." "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.

10. Notwithstanding the foregoing, the granting of a new certificate, if one is deemed necessary by the Commission, will be in the public interest because the electric power to be generated by Iatan Unit 2 will be rate based capacity that will be available to serve the increasing demand for electric power by Aquila's Missouri customers. In addition, there may be operational and cost advantages inherent in a utility's ownership of generating facilities. In recognition of these advantages, the Commission has stated its preference for company-

owned generation instead of heavy reliance on purchased power agreements ("PPAs") to meet Missouri load requirements and to protect Missouri customers. (See, FERC Docket EC03-53-000 and 001, Opinion 473, pages 7 and 10). This statement has been consistent with Aquila's recent experience whereby the Commission Staff has encouraged the Company to reduce its reliance on purchased power contracts in favor of power plant ownership when justified. The addition of Iatan Unit 2 to Aquila's resource portfolio will improve the mix of Aquila's dedicated assets to its contract capacity.

11. In view of the foregoing, by this First Amended Application Aquila requests permission, approval and a certificate of public convenience and necessity to participate in the construction, ownership, operation, maintenance, removal, replacement, control and management of a steam electric generating station to be located within a proposed site area on the left bank of the Missouri River near Upper Iatan Bend in Platte County Missouri, Iatan Unit 2, or alternatively for an order specifically confirming that Aquila has the requisite authority under its existing certificate(s) for these undertakings. In the event the Commission determines that it should consider issuing a new certificate, the information required by 4 CSR 240-3.105(1)(B) will be late-filed as soon as available.

12. Aquila reaffirms and incorporates herein by reference all of the other factual allegations contained in its March 2, 2005, Application.

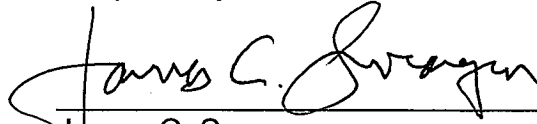
WHEREFORE, Aquila respectfully requests that the Commission issue its order:

- a. finding that Aquila's participation in Iatan Unit 2, a coal-fired base-load generating facility is necessary in order to fulfill the post 2009 capacity requirements of the customers of the Company's MPS operating division.
- b. 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.
- c. authorizing Aquila to enter into, execute and/or perform in accordance with the terms of the Facility.
- d. authorizing Aquila to encumber the 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;
- e. authorizing Aquila to enter into any and all other related agreements or documents and to take any and all other 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.
- f. finding that the undertakings described herein constitute a commercially feasible financing plan for Aquila to meet its commitments to participate in the ownership of the Iatan 2 plant.

g. granting the certificate of public convenience and necessity described in paragraph 11, supra, or, alternatively for an order specifically confirming that Aquila has the requisite authority under its existing certificate(s) for the described undertakings.

h. granting such other relief as may be necessary and appropriate to accomplish the purposes of this First Amended Application.

Respectfully submitted,



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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 25th day of May, 2005 to the following:

General Counsel's Office
Missouri Public Service Commission
200 Madison Street, Suite 800
P.O. Box 360
Jefferson City, MO 65102-0360

Office of the Public Counsel
Governor Office Building
200 Madison Street, Suite 650
P.O. Box 2230
Jefferson City, MO 65102-2230

Dean Cooper
Brydon, Swearengen & England
P.O. Box 456
Jefferson City, MO 65102

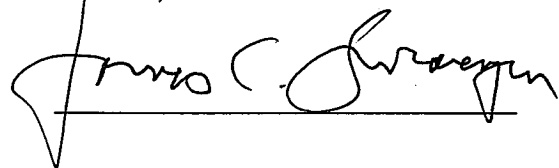
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VERIFICATION

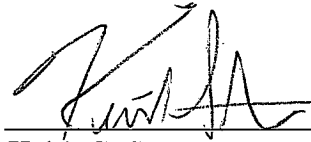
STATE OF MISSOURI
COUNTY OF JACKSON

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) SS
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Keith G. Stamm, being duly sworn on oath, deposes and says that he is the Senior Vice President and Chief Operating Officer of Aquila, Inc., that he has read the foregoing Application and knows the contents thereof, and that the same are true and correct to the best of his knowledge, information and belief.

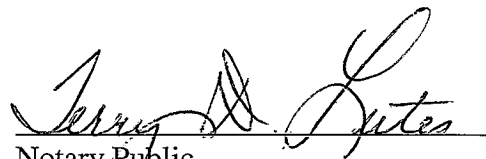
AQUILA, INC.

BY:



Keith G. Stamm
Senior Vice President &
Chief Operating Officer

Subscribed and sworn to before me, the undersigned, a Notary Public in and for the county and state aforesaid, on the 24th day of May, 2005.



Notary Public
Terry D. Lutes

My Commission Expires:

8-20-2008



TERRY D. LUTES
Jackson County
My Commission Expires
August 20, 2008