

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

In the Matter of an Investigation into a)
Pending Sale of Assets of Aquila, Inc.) Case No. EO-2004-0224

REPLY OF AQUILA, INC. TO STAFF RESPONSE TO ORDER DIRECTING FILING

Comes now Aquila, Inc. ("Aquila" or the "Company") in reply to Staff's Response to Order Directing Filing in the referenced case, states the following:

1. Aquila concurs with Staff's characterization of its discussions with the Company to date. The topic of this case has been touched upon in a number of informal discussions but largely in the context of other related matters. Aquila has appreciated Staff's willingness to listen to Aquila's views on the topic and, conversely, Aquila has appreciated that Staff has been willing to share its views with the Company.

2. Aquila concurs with Staff's interest in bringing this case to a conclusion, however, Aquila is of the view that the matter needs to be brought to a conclusion much more quickly than contemplated by Staff.

3. The pressing practical issue is that the very existence of Staff's unresolved Motion in this case threatens the sale of Aquila's indirect ownership interest in Aries because neither party to the transaction may be in a position to close the sale under a cloud of regulatory uncertainty. More specifically, if the Commission were to grant its Staff's request to open a docket to investigate the sale of the Aries plant, the window of opportunity for a sale will close. If this were to come to pass, it would have the practical effect of keeping Aquila in the merchant energy business; an enterprise it

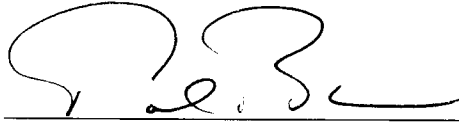
would prefer to exit in line with its stated objective to retrench as a multi-state regulated utility. Aquila already has secured the third party approvals necessary to complete the transaction.

4. Aquila cannot overemphasize how important it is that the Commission remove the regulatory uncertainty caused by its Staff's Motion in this case by denying the Motion at the very earliest possible opportunity because the Company looks to complete the sale this month. Aquila's previous filings have outlined in detail the Commission's lack of jurisdiction over the sale of the Aries plant. Aries is not a rate based generating unit for Aquila's regulated operations in this state and it is not owned or operated by a regulated entity. Rather, an unregulated subsidiary of Aquila jointly owns the plant along with Calpine Corporation ("Calpine"). Aquila Networks – MPS only takes capacity from Aries pursuant to a Power Sales Agreement which previously has been submitted to and approved by the Commission in its Case No. EM-99-369.

5. Staff has yet to provide the Commission with any arguable legal basis for jurisdiction over the sale of Aquila's remaining indirect ownership interest to Calpine. The proposed transaction is no different a set of circumstances than that which occurred in the year 2000 when Calpine acquired its initial 50% ownership interest in MEPPH. Consequently, the Commission should deny the Motion and thereby permit Aquila to proceed with the sale.

WHEREFORE, for good cause shown, Aquila repeats its request that the Commission deny Staff's Motion in this case and to close the proceeding with prejudice.

Respectfully submitted,



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CERTIFICATE OF SERVICE

The undersigned certifies that a true and correct copy of the foregoing document was hand-delivered or mailed by U.S. mail on this 13th day of February, 2004, to the following:

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