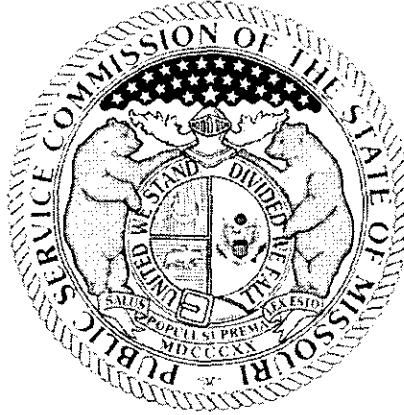


**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**



In the Matter of the Tariffs of Aquila, Inc., d/b/a)	
Aquila Networks – MPS and Aquila Networks – L&P)	
Increasing Electric Rates for the Services Provided)	Case No. ER-2007-0004
to Customers in the Aquila Networks – MPS and)	Tariff No. YE-2007-0001
Aquila Networks – L&P Service Areas)	

CONCURRENCE OF COMMISSIONER LINWARD APPLING

I write separately to emphasize two items that underlie this Report and Order.

First, parties should keep in mind that pointing the Commission to the results of other cases, even recent cases, is not particularly helpful. The Commission must exercise its judgment based on the evidence about this utility in this record. The circumstances of one utility are different from others; the circumstances of the same utility change over time from one case to the next; and, most importantly, the evidentiary record varies greatly from case to case, even on the same issue. Thus, different results from case to case are to be

expected. It is not that the Commission forgets the results of recent rate cases, it is that those results are not controlling.

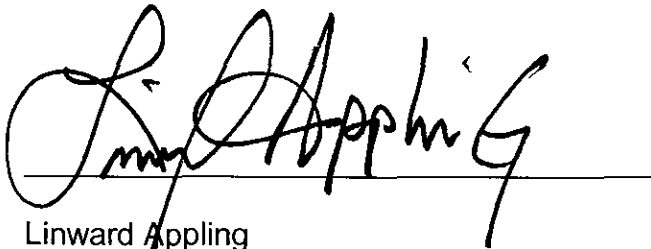
Second, the need to provide customers and utilities with specific rates tends to make us forget that ratemaking is not an exact science; that rate-setting consists of application of good judgment and common sense; and that rates are not the result of the rote application of formulas. Thus, the use of a particular figure in calculating a revenue requirement does not imply that all other figures are unreasonable, nor that all other results are unreasonable.

The General Assembly adopted Section 386.266 to provide the Commission with another tool to set just and reasonable rates for utilities and customers. The Commission does not believe, and no party has suggested, that in providing this additional tool the General Assembly intended to overturn the long-standing principle that utilities are not guaranteed a particular return on investment, but only have the opportunity to earn a fair and reasonable return. Thus, it cannot be maintained that the passage of S.B. 179 guarantees that a utility earn the particular return used by the Commission in setting rates.

These principles are particularly pertinent in this case. Based on the stipulated rate base and capital structure (Stipulation and Agreement, paragraph 13; Schedule 4), and a return on equity of 10.25%, Aquila's annual return on investment will be some \$54,557,000 per year. The Commission has authorized a fuel adjustment clause that will permit Aquila to recover 95% of its prudently incurred fuel costs above a base level. It appears from the evidence in the record that, if Aquila cannot contain its fuel costs to the base amount, that it may

not recover between \$3,000,000 and \$6,000,000 of its annual fuel costs, thus reducing its return on investment by a similar amount. These are the figures to keep in mind when gauging the fairness of Aquila's fuel adjustment clause.

It is in light of all of the above considerations that a fuel adjustment clause permitting recovery of 95% of specified fuel costs above a base amount, together with the provisions for prudence reviews, strikes a reasonable balance of the interests of ratepayers in the lowest reasonable rates with Aquila's interest in full recovery of its reasonable costs.

A handwritten signature in black ink, appearing to read "Linward Appling", is written over a horizontal line.

Linward Appling
Commissioner

May 17, 2007