

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

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)
Aquila Networks—MPS and Aquila Networks—)
L&P Missouri Service Areas.)

Case No. ER-2007-0004
Tariff No. YE-2007-0001

STAFF'S RESPONSE TO AQUILA, INC.'S TEST YEAR AND TRUE-UP PROPOSALS

COMES NOW the Staff of the Missouri Public Service Commission (Staff), in accordance with the Commission's July 5, 2006 order that, *inter alia*, suspended tariffs filed by Aquila, Inc., and states:

1. In its July 5, 2006 Order the Commission stated:

The direct testimony of Aquila's witness, Susan K. Braun, which Aquila filed along with its tariff, indicates that Aquila used a test year ending December 31, 2005, for the purposes of its rate case filing. Braun also stated that Aquila made certain adjustments to the test year to reflect changes through June 30, 2006. Through Braun's testimony, Aquila proposes that a true-up of certain accounts be made as of January 1, 2007. So that the test year and true-up questions can be quickly resolved, the Commission will require the other parties to promptly state their positions regarding Aquila's true-up and test year proposals.

2. The Commission ordered the Staff, and others, to file, on or before August 1, 2006, their concurrences or recommendations to Aquila's proposed test year, and their true-up recommendation.

3. The Staff concurs in the use of an historical test year ending December 31, 2005 adjusted and updated for any known and measurable changes through June 30, 2006.

4. The Staff is not in a position to make a meaningful recommendation on a true-up in this case at this time; however the Staff will discuss the matter of a true-up with Aquila, Inc. and the other parties during the early prehearing conference in this case on August 9, 2006; and

anticipates it will be able to make a meaningful recommendation regarding true-up shortly thereafter.

WHEREFORE the Staff submits its concurrence in the use of an historical test year ending December 31, 2005 adjusted and updated for any known and measurable changes through June 30, 2006, and advises the Commission the Staff is not presently in a position to recommend a meaningful true-up, but anticipates it will be in a position to recommend, and will recommend, a meaningful true-up for this case after discussions with Aquila, Inc. and the other parties during the early prehearing conference in this case on August 9, 2006.

Respectfully submitted,

/s/ Nathan Williams

Nathan Williams
Deputy Counsel
Missouri Bar No. 35512

Attorney for the Staff of the
Missouri Public Service Commission
P. O. Box 360
Jefferson City, MO 65102
(573) 751-8702 (Telephone)
(573) 751-9285 (Fax)
nathan.williams@psc.mo.gov

Certificate of Service

I hereby certify that copies of the foregoing have been mailed, hand-delivered, transmitted by facsimile or electronically mailed to all counsel of record 1st day of August 2006.

/s/ Nathan Williams