BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of Aquila, Inc., doing business as Aquila Network – L&P's Purchased Gas Adjustment Factors to be Audited in Its 2002-2003 Actual Cost Adjustment.	))))	**Case No. GR-2003-0369** Tariff No. YG-2004-0617

DISSENTING OPINION OF COMMISSIONER KELVIN L. SIMMONS

The Missouri Public Service Commission has approved Aquila Inc. d/b/a Aquila Networks – L&P's proposed tariff sheets that were designed to reflect estimated changes in the cost of natural gas. Although Aquila Networks – L&P filed the proposed tariff sheets in conformance with its Commission-approved Purchased Gas Adjustment (PGA) clause, I am seriously concerned about the PGA mechanism and its inadequate protections for Missouri's consumers.

I continue to be skeptical of the PGA process because of the portion of the natural gas industry that is not regulated by this Commission. Even though the Missouri courts have recognized the PGA process,[1] the Missouri General Assembly has never addressed whether this is a good process for the citizens who purchase natural gas to heat their homes. Recent history has shown us that gas producers can manipulate the market. If the producers have manipulated the markets, the natural gas consumers suffer an immediate harm when they pay their gas bills. However, under the PGA mechanism the

[1] *See, Midwest Gas Users Association v. Public Service Commission of the State of Missouri,* 976 S.W.2d 485 (Mo. App., W.D. 1998).

consumer cannot know, at the time the bill is paid, whether they are paying the correct amount. Furthermore, it may be months before any adjustments are made.

My concerns about the PGA mechanism are not new. During the 2000-2001 winter heating season, I dissented from the Commission decisions[2] that drastically, and almost automatically, raised the cost of natural gas to consumers in Missouri. In my dissents, I raised the issue that even though the Commission conducts a prudence review under the PGA mechanism, we could not be certain that the natural gas producers were not manipulating the gas markets. And as a result of that heating season, the Federal Energy Regulatory Commission (FERC) is currently investigating companies that could have contributed to the manipulation of the natural gas markets through questionable trading activity. In fact, the FERC has recently found that some producers did manipulate the market.

Aquila Networks – L&P is increasing its PGA rates by 13.5 percent. Increases of this magnitude are a shock to consumers and should be phased in over two or three billing periods. The Commission should be looking at a phase-in policy for large increases as well as a variety of other policy changes that could better protect consumers.

The Commission has little control over the cost of gas, and as a result we are left at the mercy of the FERC and the market. Furthermore, the Commission has not taken adequate steps to protect consumers from double-digit rate increases.

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[2] *See*, Case Nos. GR-2001-382, GR-2001-387, GR-2001-388, GR-2001-394, GR-2001-396, and GR-2001-397.

For these reasons, I dissent.

Respectfully submitted,

Kelvin L. Simmons, Commissioner

(S E A L)

Dated at Jefferson City, Missouri,
on this 13th day of November, 2003.