

MEMORANDUM

TO: Missouri Public Service Commission Official Case File,
Case No. GR-2003-0311, File No. YG-2003-1644,
Aquila Networks - MPS

FROM: James A. Gray, Energy Department - Tariffs/Rate Design

<u>/s/Warren Wood 03/10/03</u>	<u>/s/ Thomas R. Schwarz, Jr. 03/11/03</u>
Energy Department/Date	General Counsel's Office/Date

SUBJECT: Staff Recommendation for Aquila Networks - MPS' Unscheduled Winter Season PGA Filing, Effective March 14, 2003; One-Time Waivers Concerning the Unscheduled PGA Filings and to Forgo filing a Summer PGA for MPS' Northern and Southern Systems

DATE: March 10, 2003

On March 3, 2003, Aquila Inc. d/b/a Aquila Networks - MPS (MPS or Company), of Kansas City, Missouri, filed tariff sheets with the Missouri Public Service Commission (Commission) bearing a proposed effective date of March 14, 2003. The tariff sheets were filed to reflect unscheduled changes in MPS' Purchased Gas Adjustment (PGA) factors as the result of changes in the estimated cost of natural gas for the remaining winter season. Additionally, this tariff filing, as substituted, reflects an Unscheduled Filing Adjustment Factor (UFA). The winter season includes the months of November through March.

On March 5, 2003, MPS filed two substitute tariff sheets changing the proposed effective date of the tariff sheets from March 14, 2003, to March 17, 2003. The filing of the substitute tariff sheets to change the effective date was at the request of Staff since the original filing had only nine (9) days notice. On March 5, 2003, MPS filed a MOTION FOR WAIVERS CONCERNING UNSCHEDULED PGA FILINGS (Waiver). The Waiver incorporates the calculations described in paragraph 7 of the UNANIMOUS STIPULATION AND AGREEMENT (S&A) in Case No. GR-2001-461. In this case, MPS agreed to compensate its regulated customers for exposure to certain put and call transactions. Also, the Waiver requests that MPS be allowed to file an Unscheduled Winter PGA for MPS' Southern System, even though the Southern System's Deferred Carrying Cost Balance (DCCB) is less than fifteen (15%) percent as required by MPS' PGA clause. On March 7, 2003, the Commission issued its ORDER ESTABLISHING TIME FOR RESPONSE (Order) directing the Staff to file its recommendation by March 11, 2003. On March 10, 2003, MPS filed an AMENDED MOTION FOR WAIVER CONCERNING NORTHERN SYSTEM THRESHOLD (Amended Motion). The Amended Motion corrected a mistake in MPS' Waiver request concerning the DCCB calculation. Also, on March 7, 2003, MPS filed a MOTION FOR WAIVER CONCERNING SUMMER PGA FILING FOR THE NORTHERN AND SOUTHERN SYSTEMS (Second Waiver) to forgo filing a Scheduled Summer PGA filing for MPS' Northern and Southern Systems. MPS' PGA clause requires MPS to file a Summer PGA

Attachment A

between March 15, 2003, and April 4, 2003. Therefore, if the Second Waiver were granted, MPS' proposed Unscheduled Winter PGA rates would remain in effect until the next Scheduled Winter PGA Filing. MPS states that maintaining the Unscheduled Winter PGA rates through the summer season will help alleviate any Actual Cost Adjustment (ACA) imbalances. The summer season includes the months of April through October.

MPS stated in its Second Waiver that the purpose of the waivers are to alleviate any under recovery balance in the ACA by increasing rates in March rather than wait until the next Scheduled Winter PGA filing. MPS feels that delaying the increase until the Scheduled Winter PGA filing, will allow the current under recovery balance "to build up and impact the next heating season." MPS states that it hedged approximately sixty percent (60%) of normal natural gas sales requirements through fixed price purchases and storage this last heating season. Colder than normal weather resulted a number of needed purchases of natural gas taking place at market prices that have significantly increased over the prices that were available last fall.

For the Southern System (serving communities such as Sedalia and Clinton), the effect of these changes will increase the PGA factor for the remainder of the winter season and the upcoming summer season to \$.79527 per Ccf from a scheduled winter season firm PGA factor of \$.50325 per Ccf. This proposal would increase a typical residential customer's bill \$46 for March when compared to the rates that are currently in effect. This proposal would also increase a typical residential customer's bill \$91, or 31% for the summer season when compared to the rates that are currently in effect.

For the Northern System (serving communities such as Chillicothe and Trenton), the effect of these changes will increase the PGA factor for the remainder of the winter season and the upcoming summer season to \$.82004 per Ccf from a scheduled winter season firm PGA factor of \$.50302 per Ccf. This proposal would increase a typical residential customer's bill \$50 for March when compared to the rates that are currently in effect. This proposal would also increase a typical residential customer's bill \$99, or 34% for the summer season when compared to the rates that are currently in effect.

Case No. GR-2003-0311, under which this PGA change was filed, was established to track the Company's PGA factors to be reviewed in its 2002-2003 ACA filing. Case Nos. GR-2002-392, GR-2001-461, and GR-2000-520 were established to track the Company's PGA factors to be reviewed in its 2001-2002, 2000-2001, and 1999-2000 ACA filings, respectively. Interim subject to refund status should be maintained pending final Commission decisions in Case Nos. GR-2003-0290, GR2002-392, GR-2001-461, and GR-2000-520.

Staff has reviewed the Unscheduled Winter PGA Filing for the Northern System and has determined that it was calculated in conformance with MPS' Commission approved PGA Clause. Additionally, Staff recommends that the Commission grant the One-Time Waiver for the Southern System to file an unscheduled winter PGA without a DCCB of fifteen (15) percent or more. Staff also recommends

approval of MPS' Second Waiver to forgo filing a Scheduled Summer PGA Filing for the Northern and Southern Systems. Staff is of the opinion that good cause for approval of these tariff sheets on less than thirty days notice is demonstrated by MPS' Commission approved PGA clause allowing for ten (10) business days notice for PGA change filings. Therefore, Staff recommends the Commission approve the following tariff sheets, as filed on March 3, 2003, and as substituted on March 5, 2003, to become effective March 17, 2003, interim subject to refund:

P.S.C. MO. No. 5

26th Revised Sheet No. 43, Cancelling 25th Revised Sheet No. 43

29th Revised Sheet No. 44, Cancelling 28th Revised Sheet No. 44

The Staff has verified that this company has filed its annual report and is not delinquent on any assessment. Staff is not aware of any other matter before the Commission that affects or is affected by this filing; however, the following Cases are pending before the Commission.

Review of Purchased Gas Adjustment Clauses in the Tariffs of Local Distribution Companies
GO-2002-452

Aquila Networks, Inc.

GR-2001-461

EO-2002-384

GR-2002-392

GR-2002-468

GX-2002-478

EO-2003-0015

GC-2003-0131

EO-2003-0271

Aquila Networks – MPS

GR-2001-461

GR-2003-0290

Aquila Networks – L&P

GR-2002-468

Missouri Public Service

GR-2001-461

EO-2002-384

GR-2000-520

Copies: Director - Utility Operations Division
Director - Utility Services Division
General Counsel
Manager - Financial Analysis Department
Manager - Procurement Analysis Department
Manager - Energy Department
Karen S. Russell – Director of Rate Administration (MPS)
Dean L. Cooper- Attorney for MPS (Brydon, Swearengen & England, PC)
Office of the Public Counsel

WINTER SEASON

Approximate Billing Impact Of 888 Ccf per Winter Season
Missouri Public Service - Northern System
Residential Heating Customer

	Winter Season with Scheduled Filing (Months)	Ccf Usage	Total Fuel Bill (\$)
*	November 2002	97	79.42
*	December	179	138.95
*	January 2003	236	180.33
*	February	217	166.54
*	March	159	124.43
	5 Month Winter Season Total	888	\$689.67

	Winter Season with Unscheduled Filing (Months)	Ccf Usage	Total Fuel Bill (\$)
*	November 2002	97	79.42
*	December	179	138.95
*	January 2003	236	180.33
*	February	217	166.54
+	March	159	174.84
	5 Month Winter Season Total	888	\$740.08

REMARKS

For a typical residential customer using approximately 888 Ccf during the winter season (November - March), natural gas rates will increase by \$50.41 or approximately 7% when comparing the fuel bills for the current

Notes:

- (1) Total fuel bill does not include gross receipts or local sales taxes.
- (2) Monthly usage priced at the rates in effect during the appropriate time period.
- (3) Tariff Sheet No. 2: Customer Charge = \$9.00; Energy Charge = \$0.22295 per Ccf;

* Tariff Sheet No. 44: PGA Charge = \$0.50302 per Ccf;

+ Tariff Sheet No. 44: PGA Charge = \$0.82004 per Ccf;

Missouri Public Service Commission

March 2003

SUMMER SEASON
Approximate Billing Impact Of 312 Ccf per Summer Season
Missouri Public Service - Northern System
Residential Customer

	Summer Season With Scheduled Winter PGA Rates	Ccf Usage	Total Fuel Bill (\$)
*	April 2002	96	78.69
*	May	53	47.48
*	June	36	35.13
*	July	28	29.33
*	August	27	28.60
*	September	30	30.78
*	October	42	39.49
	7 Month Summer Season Total	312	\$289.50

	Summer Season With Unscheduled Winter PGA Rates	Ccf Usage	Total Fuel Bill (\$)
+	April 2002	96	109.13
+	May	53	64.28
+	June	36	46.55
+	July	28	38.20
+	August	27	37.16
+	September	30	40.29
+	October	42	52.81
	7 Month Summer Season Total	312	\$388.42

REMARKS

For a typical residential customer using approximately 312 Ccf's during the summer season (April-October), natural gas rates will increase by \$98.92 or approximately 34% when comparing the fuel bills for the current summer season with the current Winter Scheduled PGA Rates vs. the Unscheduled Winter PGA Rates proposed to become effective March 17, 2003.

Notes:

- (1) Total fuel bill does not include gross receipts or local sales taxes.
- (2) Monthly usage priced at the rates in effect during the appropriate time period.
- (3) Tariff Sheet No. 2: Customer Charge = \$9.00; Energy Charge = \$.22295 per Ccf;
- * (4) Tariff Sheet No. 44: PGA Charge = \$0.50302 per Ccf;
- + (5) Tariff Sheet No. 44: PGA Charge = \$0.82004 per Ccf;

Missouri Public Service Commission

March 2003

SUMMER SEASON
 Approximate Billing Impact Of 312 Ccf per Summer Season
 Missouri Public Service - Southern System
 Residential Customer

	Summer Season With Scheduled Winter PGA Rates	Ccf Usage	Total Fuel Bill (\$)
*	April 2002	96	78.72
*	May	53	47.49
*	June	36	35.14
*	July	28	29.33
*	August	27	28.61
*	September	30	30.79
*	October	42	39.50
	7 Month Summer Season Total	312	\$289.58

	Summer Season With Unscheduled Winter PGA Rates	Ccf Usage	Total Fuel Bill (\$)
+	April 2002	96	106.75
+	May	53	62.97
+	June	36	45.66
+	July	28	37.51
+	August	27	36.49
+	September	30	39.55
+	October	42	51.77
	7 Month Summer Season Total	312	\$380.70

REMARKS

For a typical residential customer using approximately 312 Ccf's during the summer season (April-October), natural gas rates will increase by \$91.12 or approximately 31% when comparing the fuel bills for the current summer season with the current Winter Scheduled PGA Rates vs. the Unscheduled Winter PGA Rates proposed to become effective March 17, 2003.

Notes:

- (1) Total fuel bill does not include gross receipts or local sales taxes.
- (2) Monthly usage priced at the rates in effect during the appropriate time period.
- (3) Tariff Sheet No. 2: Customer Charge = \$9.00; Energy Charge = \$.22295 per Ccf;
- * (4) Tariff Sheet No. 43: PGA Charge = \$.50325 per Ccf
- + (5) Proposed Tariff Sheet No. 43: PGA Charge = \$.79527 per Ccf

Missouri Public Service Commission

March 2003

WINTER SEASON
 Approximate Billing Impact Of 888 Ccf per Winter Season
 Missouri Public Service - Southern System
 Residential Heating Customer

	Winter Season with Scheduled Filing (Months)	Ccf Usage	Total Fuel Bill (\$)
*	November 2002	97	79.44
*	December	179	138.99
*	January 2003	236	180.38
*	February	217	166.59
*	March	159	124.47
	5 Month Winter Season Total	888	\$689.87

	Winter Season with Unscheduled Filing (Months)	Ccf Usage	Total Fuel Bill (\$)
*	November 2002	97	79.44
*	December	179	138.99
*	January 2003	236	180.38
*	February	217	166.59
+	March	159	170.90
	5 Month Winter Season Total	888	\$736.30

REMARKS

For a typical residential customer using approximately 888 Ccf during the winter season (November - March), natural gas rates will increase by \$46.43 or approximately 7% when comparing the fuel bills for the current winter season before and after the unscheduled winter filing.

Notes:

- (1) Total fuel bill does not include gross receipts or local sales taxes.
- (2) Monthly usage priced at the rates in effect during the appropriate time period.
- (3) Tariff Sheet No. 2: Customer Charge = \$9.00; Energy Charge = \$0.22295 per Ccf;
- * Tariff Sheet No. 43: PGA Charge = \$0.50325 per Ccf;
- + Tariff Sheet No. 43: PGA Charge = \$0.79527 per Ccf;

Missouri Public Service Commission
 March 2003