

LAW OFFICES
BRYDON, SWEARENGEN & ENGLAND

PROFESSIONAL CORPORATION

312 EAST CAPITOL AVENUE

P.O. BOX 456

JEFFERSON CITY, MISSOURI 65102-0456

TELEPHONE (573) 635-7166

FACSIMILE (573) 635-3847

E-MAIL: DCOOPER@BRYDONLAW.COM

DAVID V.G. BRYDON
JAMES C. SWEARENGEN
WILLIAM R. ENGLAND, III
JOHNNY K. RICHARDSON
GARY W. DUFFY
PAUL A. BOUDREAU
SONDRA B. MORGAN
CHARLES E. SMARR

DEAN L. COOPER
MARK G. ANDERSON
GREGORY C. MITCHELL
BRIAN T. MCCARTNEY
DIANA C. FARR
JANET E. WHEELER

OF COUNSEL
RICHARD T. CIOTTONE

September 8, 2003

Secretary
Public Service Commission
P. O. Box 360
Jefferson City, MO 65102

FILED³

SEP 08 2003

Missouri Public
Service Commission

RE: Case No. GR-2002-468

Dear Mr. Roberts:

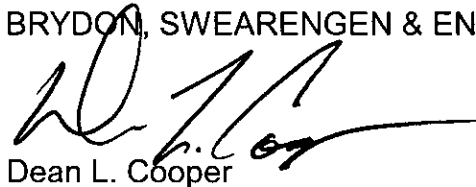
Enclosed please find an original and eight copies of Aquila Networks - L&P's Response to Staff Recommendation. Please stamp the enclosed copy filed and return same to me.

If you have any questions concerning this matter, then please do not hesitate to contact me. Thank you very much for your attention to this matter.

Sincerely,

BRYDON, SWEARENGEN & ENGLAND P.C.

By:


Dean L. Cooper

DLC/llv
Enclosures
cc: Parties of Record

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

FILED³
SEP 08 2003

Missouri Public
Service Commission

In the matter of the Purchased Gas
Adjustment Factors of Aquila Inc. d/b/a
Aquila Networks – L&P to be Audited
in its 2001-2002 Actual Cost Adjustment.

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Case No. GR-2002-468

RESPONSE TO STAFF RECOMMENDATION

Comes now Aquila, Inc., d/b/a Aquila Networks – L&P ("Aquila"), and respectfully provides to the Missouri Public Service Commission ("Commission") the following response to the Staff Memorandum and Recommendation:

1. On August 7, 2003, the Commission Staff ("Staff") filed its Recommendation in this matter. The Recommendation included a Memorandum, which set out the results of Staff's review of the Aquila 2001-2002 Actual Cost Adjustment ("ACA") filing. Aquila will respond to the various issues identified by Staff in the following paragraphs.

ACA BEGINNING BALANCE AUGUST 31, 2001

2. Aquila agrees with the Staff's recommendation to increase the August 31, 2001 under-recovered ACA balance by \$6,862.33.

COMPANY'S RECONCILING ADJUSTMENTS TO REVENUES AND COST OF GAS

3. Aquila agrees with the Staff's recommendation to increase PGA/ACA Revenues by \$177,730 and increase gas costs by \$105,265.

IMBALANCES AND STORAGE COSTS

4. Aquila agrees with the Staff's recommendation to decrease gas costs by \$22,914.91 in order to correct the calculation of the monthly imbalances. Aquila also agrees with the Staff's recommendation to decrease gas costs by \$1,637.25 to correct the calculation of the monthly storage injection and withdrawal amounts.

DEFERRED CARRYING COST BALANCE

5. Aquila agrees with the Staff's recommendation to decrease the amount of the DCCB interest to be credited to customers by \$3,998.

TRANSITION COSTS BILLED

6. Aquila agrees with the Staff's recommendation to reduce the reported amount of billed transition costs by the amount of \$1,570.96.

HEDGING

7. Staff's paragraph entitled "Hedging" does not contain a recommendation to which Aquila can respond.

RELIABILITY STUDY

8. Aquila responds as follows to Staff's reliability analysis and reserve margin comments:

- (1) Aquila will provide growth estimates to the Staff for the ACA periods as Staff requested by November 1, 2003.
- (2) Aquila agrees that the difference between it and Staff as to the peak day weather data reported for Kansas City International Airport ("KCI") is not an issue at this time. Aquila will work with Staff to reconcile the difference.
- (3) Aquila utilizes the KCI weather forecasts in forecasting daily and monthly requirements. A review of the procedures will be performed as requested by Staff.
- (4) Aquila will provide analysis of the capacity requirement as requested by Staff by November 1, 2003.
- (5a) *Aquila has not changed its storage guidelines, but due to unforeseen circumstances, such as weather, storage will rarely be filled to 100%. For the planning process, which begins in April before the upcoming winter, an assumption is made that the*

storage will be filled. As mentioned, rarely will 100% of storage be available effective November 1, which will require the monthly requirements to be adjusted for November to account for differences in the actual beginning storage balance and the storage guideline at the end of the month to ensure adequate storage to cover the entire winter period.

- (5b) Staff recommends that the Company identify the minimum storage inventories that must be in place at the end of each winter month to assure sufficient storage volumes are available in later winter months. Aquila will identify what are considered to be adequate minimum storage levels at the end of each month to ensure winter coverage by November 1, 2003.
- (6). Aquila will continue to provide comparisons of actual usage to that estimated by the modeled usage for each service area as requested by Staff.

WHEREFORE, Aquila respectfully requests the Commission issue an Order that is consistent with the above response.

Respectfully submitted,



Dean L. Cooper MBE #36592
BRYDON, SWEARENGEN & ENGLAND P.C.
312 E. Capitol Avenue
P. O. Box 456
Jefferson City, MO 65102
(573) 635-7166
(573) 635-3847 facsimile
Email: dcooper@brydonlaw.com

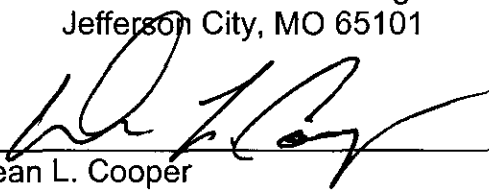
ATTORNEYS FOR AQUILA INC.
D/B/A AQUILA NETWORKS – L&P

CERTIFICATE OF SERVICE

The undersigned certifies that a true and correct copy of the foregoing document was hand-delivered on September 8, 2003 to the following:

Robert Franson
Office of the General Counsel
Governor Office Building
Jefferson City, Mo 65101

Douglas Micheel
Office of the Public Counsel
Governor Office Building
Jefferson City, MO 65101



Dean L. Cooper