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RICHARD T. CIOTTONI

September 15, 2003

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

**FILED<sup>3</sup>**  
**SEP 15 2003**  
**Missouri Public  
Service Commission**

**RE: Case No. GR-2002-392**

Dear Mr. Roberts:

Enclosed please find an original and eight copies of Aquila Networks - MPS'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: Robert Franson  
Douglas Micheel

Missouri Public  
Service Commission

Case No. GR-2002-392

Comes now Aquila, Inc., d/b/a Aquila Networks – MPS (“Aquila”), and hereby respectfully provides to the Missouri Public Commission (“Commission”) the following response to the Staff Memorandum and Recommendation:

1. On August 15, 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 2001-2002 Actual Cost Adjustment ("ACA") filing. Aquila will respond to the various issues identified by Staff in the following paragraphs.

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

3. It is Aquila's understanding that Staff has recalculated the DCCB found in the field recommendation. In doing so, it is Aquila's further understanding that Staff has changed its recommendation from an increase of gas cost in the amount of \$2,567 to a decrease of gas cost in the amount of \$874. Aquila agrees with Staff's adjusted recommendation to decrease gas cost by \$874.

4. Aquila agrees to increase the Northern System's cost of gas by \$22,288

and decrease the Southern System's cost of gas by \$5,001. At this time, Aquila does not agree with the method used by Staff to determine the value associated with storage. However, Aquila will seek to work with Staff to come to an agreement on the methodology to be used in calculating storage on a going forward basis.

#### **ACA BALANCE**

5. Aquila agrees with the Staff's recommendation to reduce the cost of gas by \$52,110 on the Southern System and to reduce the cost of gas by \$9,720 on the Eastern System, both in accordance with the Stipulation and Agreement in case GR-99-435.

#### **WGPC RESERVATION COSTS**

6. Aquila agrees with the Staff's recommendation to reduce gas costs (reservation costs) on the Southern System by \$183,376.

#### **CAPACITY RELEASE**

7. Aquila agrees with the Staff's recommendation to reduce gas costs on the Southern System by \$15,715 to reflect the proper allocation of capacity release credits for November 2001 and December 2001. Staff also states that \$400 and \$406 of capacity release from contract TA1048 was allocated to MPS in April 2001 and May 2001 in error. Aquila agrees that gas costs need to be increased by \$806 on the Southern System. Aquila has found however, that the incorrect allocation of capacity release from contract TA1048 was made in the amount of \$806 in April 2002. No capacity release was allocated to MPS in May 2002. Aquila also notes that the Staff referenced the year of 2001 in its recommendation. Because that time period is not included in Case No. GR-2002-392, Aquila has made the assumption that the months of April and May that Staff referred to should have been year 2002.

#### **IMBALANCES**

8. Aquila agrees with the Staff's recommendation to reduce the cost of gas on the Southern System by \$77,708. Aquila would like to clarify that the allocation rate

is still being evaluated per the Baseload Pool Supply response. Aquila has verified that the ending imbalance adjustment for the Southern System would stay the same regardless of a change in the allocation rate. Staff has recommended that Aquila reduce gas costs in the amount of \$646 on the Northern System. Aquila has previously made this adjustment. This correction was made in the April 2002 general ledger and is included in the cost of gas filed on Schedule 3 of Enclosure 4.

#### **BASELOAD POOL SUPPLY**

9. Aquila agrees with Staff that an adjustment is required to correct the Southern System December 2001 MPS allocation. At this time however, Aquila is unable to agree to the calculated adjustment amount that Staff has recommended. Aquila does not agree that the November 2001 allocation rate was used in December 2001. Aquila does agree that an incorrect rate was used in the filed allocation. Aquila plans to further discuss this matter with the Staff.

#### **HEDGING**

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

#### **RELIABILITY ANALYSIS**

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

- (1) Aquila plans to continue providing comparisons of actual usage to that estimated by the modeled usage for each service area as requested by Staff.
- (2) a) Staff recommends that Aquila identify the minimum storage inventories that must be in place at the end of each winter month to assure that sufficient storage volumes are available in the later winter months. Aquila plans to identify what are considered to be adequate minimum storage levels at the end of each month to ensure winter coverage by January 1,

2004.

b) By January 1, 2004, Aquila will review the storage guidelines and the options available if warmer than normal weather were to continue into November.

c) Staff recommends that Aquila identify the requirements based on warmest, normal and coldest weather. Aquila will identify what are considered to be the warmest, normal and coldest weather requirements by January 1, 2004.

- (3) Aquila will work with Staff to reconcile the differences in the calculation of demand and reserve margins. Aquila will provide the detailed documentation of efforts to release the excess capacity for the 2002/2003 ACA per Staff's request by January 1, 2004.
- (4) Staff recommends that Aquila submit an evaluation of the cost of storage versus flowing supplies and how the costs were considered in the decision to extend/modify/replace the storage contract that expired in October 2002. Aquila will perform said analysis per Staff's request by January 1, 2004.
- (5) Aquila will provide the additional detail as requested by Staff to meet a peak day requirement by January 1, 2004.

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

Respectfully submitted,

  
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Dean L. Cooper MBE #36592  
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ATTORNEYS FOR AQUILA INC.  
D/B/A AQUILA NETWORKS – MPS

### **CERTIFICATE OF SERVICE**

The undersigned certifies that a true and correct copy of the foregoing document was hand-delivered on September 15, 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

  
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Dean L. Cooper