

## MEMORANDUM

TO: Missouri Public Service Commission Official Case File,  
Case No. GR-2005-0271, File No. YG-2006-318  
Aquila Networks—MPS and L&P

FROM: Tom Solt, Energy Department - Tariffs/Rate Design

<u>/s/ Thomas Imhoff</u> <u>10/31/05</u>	<u>/s/ Thomas R. Schwarz, Jr.</u> <u>10/31/05</u>
Energy Department/Date	General Counsel's Office/Date

SUBJECT: Staff Recommendation for Aquila Network--MPS and L&P's Scheduled Winter  
Season PGA Filing Effective November 9, 2005

DATE: October 31, 2005

On October 25, 2005, Aquila Inc. d/b/a Aquila Networks—MPS and L&P (Aquila or Company) of Kansas City, Missouri, filed tariff sheets proposed to become effective November 9, 2005. These tariff sheets were filed to reflect scheduled changes in Aquila's Purchased Gas Adjustment (PGA) factors as a result of estimated changes in the cost of natural gas for the upcoming winter season and changes in the Actual Cost Adjustment (ACA) factor. The winter season includes the months of November through March.

For Aquila's Southern System (serving communities such as Sedalia and Clinton), which is served by the Southern Star Central Gas Pipeline, Inc., the effect of these changes will increase the PGA factor for the 2005-2006 winter season to \$1.14400 per hundred cubic feet (Ccf) from the 2004-2005 winter season PGA of \$0.84462 per Ccf. A customer last winter using 640 Ccf had a bill of \$762; if weather is normal this year, the same customer would use approximately 711 Ccf, for a bill of \$1,056, before taxes. This is a 39% increase in the estimated winter bill.

For Aquila's Northern System (serving communities such as Chillicothe and Trenton), which is served by the Panhandle Eastern Pipe Line Company, LP, the effect of these changes will increase the PGA factor for the 2005-2006 winter season to \$1.08582 per Ccf from the 2004-2005 winter season PGA of \$0.82411 per Ccf. A customer last winter using 646 Ccf had a bill of \$757; if weather is normal this year, the same customer would use approximately 706 Ccf, for a bill of \$1,008, before taxes. This is a 33% increase in the estimated winter bill.

For Aquila's L&P System (serving communities such as Maryville and Mound City), which is

served by the ANR Pipeline Company, the effect of these changes will increase the PGA factor for the 2005-2006 winter season to \$0.94543 per Ccf from the 2004-2005 winter season PGA of \$0.77667 per Ccf. A customer last winter using 653 Ccf had a bill of \$733; if weather is normal this year, the same customer would use approximately 712 Ccf, for a bill of \$916, before taxes. This is a 25% increase in the estimated winter bill.

Staff has been monitoring the rapidly changing natural gas market situation along with the Office of the Public Counsel and the local distribution companies. If it appears that Aquila's PGA rate should be reduced, Staff will promptly notify Aquila. The Staff's Procurement Analysis Department (PAD) will address Aquila's procurement of its natural gas for this upcoming winter season. Due to the limited time available to review the documentation supporting the ACA factors represented in this filing, PAD has requested permission to submit its results and recommendations regarding information included in this ACA filing to the Commission on or before December 29, 2006. Also, in Case No. GW-2006-0110, Staff is currently reviewing several aspects of the procurement policies of Missouri's local distribution companies, including Aquila. This highly abbreviated review of Aquila's purchasing policies may result in Staff or other parties filing a complaint against Aquila if any of these parties believe that Aquila has been imprudent in their purchasing practices. Staff does not believe that this abbreviated review obviates the need for a thorough PAD audit as is now provided for in the normal process. Also, Staff does not believe that a lack of any findings by parties in this abbreviated review should be treated by any parties as a final determination that a utility has been prudent in its purchasing practices as is now determined through a thorough PAD audit.

At this time, Staff does not render an opinion as to the gas purchasing practices of Aquila. Staff's review of this PGA filing has focused on the compliance of Aquila's calculations, market assumptions, storage position, hedging positions and other relevant factors in support of its tariff filing in accordance with its approved PGA Clause.

Case No. GR-2005-0271, under which these changes were filed, was established to track the Company's PGA factors to be reviewed in its 2004-2005 ACA filing. Case Nos. GR-2004-0538 and GR-2004-0539, consolidated, were established to track the Company's PGA factors to be reviewed in its 2003-2004 ACA filing. Interim subject to refund status should be maintained pending final Commission decisions in Case Nos. GR 2004-0538 and GR-2004-0539, consolidated, and GR-2005-0271.

The Commission's Energy Department - Tariffs/Rate Design Staff (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. The following cases involving this Company are pending before the Commission:

GR-2005-0271	GW-2006-0110	GR-2004-0539
EO-2005-0263	AX-2003-0404	AX-2005-0364
EA-2005-0248	EO-2005-0293	EO-2006-0036
EO-2006-0141	EO-2006-0142	EC-2006-0171
EO-2005-0156	EO-2002-0384	

Staff has reviewed this filing and has determined that it was calculated in conformance with Aquila's PGA Clause. Staff is of the opinion that good cause for approval of these tariff sheets on less than thirty (30) days notice is demonstrated by Aquila's Commission-approved PGA clause allowing for ten (10) business days notice for PGA change filings. Therefore, Staff recommends that the following tariff sheets, filed on October 25, 2005, be approved, interim subject to refund:

P.S.C. MO. No. 1

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4th Revised Sheet No. 61 Cancelling 3rd Revised Sheet No. 61

5th Revised Sheet No. 62 Cancelling 4th Revised Sheet No. 62

3rd Revised Sheet No. 64 Cancelling 2nd Revised Sheet No. 64

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

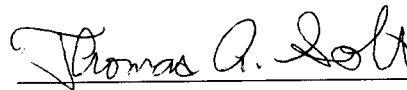
In the Matter of Aquila Networks—MPS and )  
L&P's Purchased Gas Adjustment Factors )  
to be Reviewed in its Actual Cost )  
Adjustment. )

Case No. GR-2005-0271

**AFFIDAVIT OF THOMAS A. SOLT**

**STATE OF MISSOURI**     )  
                                      ) ss  
**COUNTY OF COLE**     )

Thomas A. Solt, of lawful age, on oath states: that he has participated in the preparation of the foregoing written report, consisting of three pages to be presented in the above case; that the information in the attached written report were given by Aquila Networks—MPS and L&P; that he has knowledge of the matters set forth in such report; and that such matters are true to the best of his knowledge and belief.

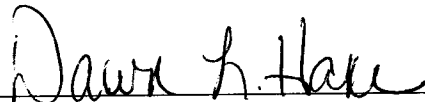
  
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Subscribed and sworn to before me this 31st day of October 2005.



My commission expires \_\_\_\_\_

DAWN L. HAKE  
My Commission Expires  
March 16, 2009  
Cole County  
Commission #05407643

  
\_\_\_\_\_  
Notary Public