

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION**

At a session of the Public Service
Commission held at its office in
Jefferson City on the 26th day of
March, 2008.

In the Matter of Aquila Network – (MPS and L&P))
Purchased Gas Adjustment (PGA) Filing) **Case No. GR-2006-0297**

ORDER APPROVING UNANIMOUS STIPULATION AND AGREEMENT

Issue Date: March 26, 2008

Effective Date: April 5, 2008

This case was opened on January 12, 2006, to receive the 2005-2006 Actual Cost Adjustment (ACA) filing of Aquila, Inc., d/b/a Aquila Networks – MPS and L&P. The Empire District Gas Company subsequently purchased Aquila's Missouri gas operations.

On December 17, 2007, the Staff of the Missouri Public Service Commission filed a recommendation. Staff's recommendation indicated that Staff has completed an audit of billed revenues and actual gas costs included in the computation of Empire's ACA balances for the period from September 2005 to August 2006.

Staff also conducted a prudence review regarding Empire's gas purchasing practices. Further, Staff conducted a reliability analysis of the Empire's estimated peak day requirements and capacity levels to meet those requirements, and a review of Empire's hedging policy for the 2005/2006 ACA.

Both Empire and Aquila responded to Staff's recommendation, citing disagreement with Staff's recommendation. The Commission scheduled a prehearing conference for February 19, during which the parties reached an agreement resolving their disputes.

Staff, Aquila, Empire and the Office of the Public Counsel filed a Unanimous Stipulation and Agreement memorializing their agreement on February 26. As agreed in the stipulation, Staff filed a supporting memorandum on March 13, to which no party responded.

The parties agreed as follows:

1. Empire shall adjust its balances for “Commission Approved Adjustments prior to 2005-2006 ACA” to \$371 for Southern System, \$0 for Northern System, and (\$5,990) for the Northwest System, as per the table below.

2. For the Southern System reliability analysis and gas planning issue related to Aquila’s Setup Spreadsheet, Empire shall adjust (credit) its balance by \$189,329, as per the table below.

3. Empire shall record all storage injection (commodity) costs as a component of its storage inventory balances for all systems.

4. Empire shall continue to keep abreast of gas market developments and continue to include a review of hedging opportunities more than one year in the future.

5. Empire shall retain the information it used to develop its gas transportation and gas supply plans for future ACA periods and make this information available to the Staff. To the extent spreadsheets or spreadsheet models are developed by Empire as part of this supply planning process Empire shall make such spreadsheets available to the Staff in a fully executable format.

6. Empire shall maintain and provide documentation supporting its monthly usage estimates for supply planning, including data, analyses, and findings/conclusions.

7. Empire shall document the methodology used to estimate usage in winter months (November through March) and usage in the summer months (April through

October) including any changes it makes to its gas purchasing plans and provide this information to Staff.

8. Empire will provide documentation supporting its growth estimates used in its peak day estimates for the winter season.

9. Empire shall consider for future winter planning the potential for both warmer and colder than normal weather in planning its supply portfolio for the upcoming winter seasons. Information supporting Empire plans shall be retained and available for Staff review.

10. Empire agrees to discuss with Staff the safeguards currently employed by Empire to protect the integrity of the spreadsheets or models it uses as part of its natural gas procurement process.

After reviewing the parties' Unanimous Stipulation and Agreement and Staff's supporting memorandum, the Commission concludes that Unanimous Stipulation and Agreement is reasonable, and should be accepted as a resolution of Aquila's 2005-2006 ACA audit.

IT IS ORDERED THAT:

1. The Unanimous Stipulation and Agreement is approved.

2. The adjusted balances for The Empire District Gas Company, 2005-2006

Actual Cost Adjustment are established as provided in the following table:

Description (+) Under-recovery (-) Over-recovery	8-31-06 Ending Balances Per Filing	Commission Approved Adjustments Prior to 2005- 2006 ACA	Staff Adjustments for 2005-2006 ACA	Staff Recommended 8-31-06 Ending Balances
South System: Firm ACA	\$2,318,683	\$371 (A)	(\$203,450) (B) (\$189,329) (C)	\$1,926,275
Interruptible ACA	\$(9,563)	\$0	\$9,563 (D)	\$0
Take-or-Pay (TOP)	\$0	\$0		\$0
Transition Cost (TC)	\$0	\$0		\$0
Refund	(\$75,518)	\$0		(\$75,518)
North System: Firm ACA	\$105,488	\$0 (A)	83,970 (B)	\$189,458
Interruptible ACA	\$104,100	\$0	(\$104,000) (D)	\$0
Take-or-Pay (TOP)	\$0	\$0		\$0
Transition Cost (TC)	\$0	\$0		\$0
Refund	(\$12,346)	\$0		(12,346)
Northwest System: Firm ACA	(\$115,450)	(\$5,990) (A)	119, 480 (B)	(\$1,960)
Interruptible ACA	\$0	\$0		\$0
Take-or-Pay (TOP)	\$0	\$0		\$0
Transition Cost (TC)	(\$2,586)	\$0		(\$2,586)
Refund	\$0	\$0		\$0

- (A) Remaining prior period adjustments.
(B) Hedging re-allocation from South system to North and Northwest systems
(C) Reliability Analysis and Gas Planning, Aquila's Setup Spreadsheet Error.
(D) All Interruptible ACA balances were eliminated at the close of 2006. This is because there were no Interruptible customers on the Northern and Southern system for several years. Empire's North and South system Interruptible ACA balances are reflected on the November 2007 PGA filing as a zero balance.

3. This order shall become effective April 5, 2008.
4. This case shall be closed on April 6, 2008.

BY THE COMMISSION

A handwritten signature in black ink, appearing to read 'Colleen M. Dale', written over a faint, circular official seal.

Colleen M. Dale
Secretary

(S E A L)

Davis, Chm., Murray, Clayton,
Appling, and Jarrett, CC., concur.

Pridgin, Senior Regulatory Law Judge