

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

In the matter of Aquila, Inc. d/b/a Aquila Networks—)	
L&P, for authority to file tariffs changing the steam)	
Quarterly Cost Adjustment for service provided to)	<u>Case No. HR-2007-0028</u>
customers in the Aquila Networks—L&P service)	Tariff No. YH-2007-0027
territory.)	

STAFF'S RECOMMENDATION TO APPROVE TARIFF SHEET

COMES NOW the Staff of the Missouri Public Service Commission (Staff) and, for its Recommendation the Commission approve the tariff sheet Aquila, Inc. d/b/a Aquila Networks—L&P (Aquila) filed on July 14, 2006, states:

1. In the attached Memorandum, which is labeled Appendix A, the Staff recommends the Missouri Public Service Commission approve the tariff sheet Aquila filed on July 14, 2006, to make a quarterly cost adjustment required as part of the Stipulation and Agreement approved by the Commission in Case No. HR-2005-0450. That Stipulation and Agreement includes a “fuel rider” that requires quarterly rate adjustments, with not more frequent than annual true-ups.

2. As filed, the tariff sheet bears an effective date of September 1, 2006.

3. Because the tariff sheet complies with Appendix A to the Stipulation and Agreement the Commission approved and ordered the parties to perform by its ORDER REGARDING STIPULATION AND AGREEMENT in Case No. HR-2005-0450 that became effective March 6, 2006, the Staff recommends the Commission issue an order approving the proposed tariff sheet to be effective September 1, 2006.

WHEREFORE, the Staff of the Missouri Public Service Commission recommends the Commission approve the tariff sheet Aquila, Inc. d/b/a Aquila Networks–L&P filed on July 14, 2006, to become effective September 1, 2006, to wit:

P.S.C. MO. No. 1

1st Revised Sheet No. 6.5 Canceling Original Sheet No. 6.5

Respectfully submitted,

/s/ Nathan Williams

Nathan Williams
Deputy General Counsel
Missouri Bar No. 35512

Attorney for the Staff of the
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Certificate of Service

I hereby certify that copies of the foregoing have been mailed, hand-delivered, transmitted by facsimile or emailed to all counsel of record this 17th day of August, 2006.

/s/ Nathan Williams

MEMORANDUM

TO: Missouri Public Service Commission Official Case File
Case No. HR-2007-0028, File No. YH-2007-0027
Aquila, Inc. d/b/a Aquila Networks – L&P

FROM: Tom Imhoff, Rate & Tariff Examination Supervisor, Project Coordinator
Mack McDuffey, Rate & Tariff Examiner II

/s/ Tom Imhoff 8/17/06
Energy Department / Date

/s/ Nathan Williams 8/17/06
General Counsel's Office / Date

SUBJECT: Staff Recommendation To Comply With The Commission's ORDER DIRECTING NOTICE AND ORDER DIRECTING FILING Issued July 26, 2006 For **Approval** of Tariff Sheet Filed per Stipulation and Agreement in Case No. HR-2005-0450

DATE: August 17, 2006

On July 14, 2006, Aquila, Inc. d/b/a Aquila Networks – L&P (Aquila or Company) of Kansas City, Missouri, filed with the Commission one (1) tariff sheet containing a quarterly cost adjustment with a proposed effective date of September 1, 2006 to be similar to the illustrative Original Sheet No. 6.5 attached as Appendix A to its Stipulation and Agreement, approved by the Commission in its ORDER REGARDING STIPULATION AND AGREEMENT Issued February 28, 2006, effective March 6, 2006. The Commission originally initiated Case No. HO-2007-0025 for this filing; however, on July 18, 2006, the Commission transferred the tariff sheet filing from HO-2007-0025 to Case No. HR-2007-0028, and closed Case No. HO-2007-0025.

Quarterly cost adjustments to allow customer rates to change with fuel cost changes were negotiated in Aquila's last steam rate case—Case No. HR-2005-0450. These adjustments implemented in rates are subject to a subsequent true-up.

In the Stipulation and Agreement from Case No. HR-2005-0450, at Section 8. Fuel Cost Customer / Utility Alignment Mechanism, paragraph 8.3 states:

Aquila will make quarterly filings with the Commission to adjust the fuel rider. Each quarterly rate adjustment will include the fuel costs from the preceding quarter. The quarterly fuel rider factors will be calculated by dividing the fuel costs by the preceding twelve month billing determinants; provided, however, that any steam load that increases or decreases expected BTU billing units by more than 5 percent can be added or subtracted to the historic billing determinants for the purpose of the quarterly fuel rider computation and rate. Each quarterly rate adjustment will remain in effect for twelve months.

Aquila's filing that initiated this case included 1st Revised Sheet No. 6.5 and two worksheets showing the calculations of the new rate. The Commission's Energy and Auditing Departments Staff (Staff) have reviewed the proposed tariff sheet no. 6.5 using the two worksheets attached to the filing in conjunction with the Calculations and Details found on tariff sheets nos. 6.1 through 6.4.

On August 2, 2006 AGP filed a motion to intervene. AGP sought intervention not to protest or object to this filing or oppose its implementation, but to position itself to be a party to the subsequent proceeding(s) in which the true-up of fuel costs will occur.

The Staff has reviewed the filed tariff sheet and attached spreadsheets and is in agreement with AGP that the tariff comports with the steam quarterly adjustment approved by the Commission in Case No. HR-2005-0450, and that the Stipulation and Agreement in Case No. HR-2005-0450 requires not more frequent than annual true-up of these quarterly adjustments.

The Staff is of the opinion that the tariff sheet was filed in a timely manner and is in compliance with the Commission's Order. The Staff therefore recommends that the Commission issue an order approving the following proposed tariff sheet, as filed on July 14, 2006, to become effective on September 1, 2006, as requested by Aquila, or permit the tariff sheet to go into effect by operation-of-law:

P.S.C. MO. No. 1

1st Revised Sheet No. 6.5 Canceling Original Sheet No. 6.5

The Staff has verified that this Company is not delinquent on any assessment or the filing of its annual report. The Staff is not aware of any other matter pending before the Commission that affects or is affected by this tariff filing.

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

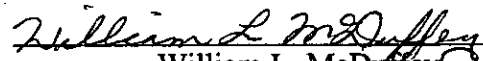
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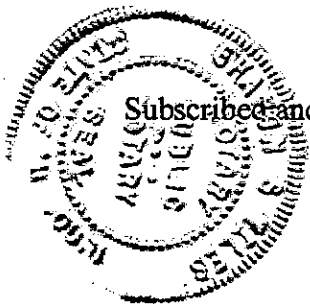
Case No. HR-2007-0028
YH-2007-0027

AFFIDAVIT OF WILLIAM L. MCDUFFEY

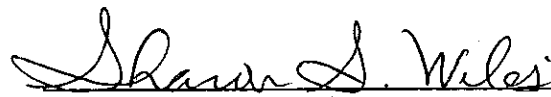
STATE OF MISSOURI)
) ss
COUNTY OF COLE)

William L. McDuffey, of lawful age, on oath states: that he participated in the preparation of the foregoing Staff Recommendation in memorandum form, to be presented in the above case; that the information in the Staff Recommendation was given by him; that he has knowledge of the matters set forth in such Staff Recommendation; and that such matters are true to the best of his knowledge and belief.


William L. McDuffey



Subscribed and sworn to before me this 17th day of August, 2006.


Notary Public

My commission expires September 11, 2006

