

**BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE 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 Customers in the	)	<b><u>Case No. HR-2007-0399</u></b>
Aquila Networks – L&P Service Territory.	)	Tariff No. YH-2008-0426

**STAFF RESPONSE TO SECOND ORDER DIRECTING FILING**

**COMES NOW** the Staff of the Missouri Public Service Commission (Staff), through the Office of the General Counsel of the Missouri Public Service Commission (Commission) and, in accordance with the Commission’s February 25, 2008 Second Order Directing Filing, responds as follows:

1. On February 20, 2008, the Staff filed its Staff Recommendation For Approval Of Tariff Sheet To Add The Quarterly Cost Adjustment For 2007 Fourth Quarter To Its Quarterly Cost Adjustment Rider. The Staff recommended that the Commission approve the tariff sheet to become effective on March 1, 2008 or allow the tariff sheet to become effective on March 1, 2008 by operation-of-law.

2. On February 25, 2008, AG Processing, Inc. (AGP) filed its response to the Staff recommendation stating that “if approved, the tariff should only be approved **subject to refund.**” (Emphasis in original.). The Staff expects that AGP did not make this recommendation respecting prior filings because it did not occur to AGP, or any other party, to do so. It now has occurred to AGP and no one disagrees. The triggering event may have been Aquila’s 1st Revised electric fuel adjustment clause Tariff Sheet No. 127, which was just approved by the Commission in Case No. EO-2008-0216. The Commission issued an Order Clarifying Order Approving Tariff on February 26, 2008 in Case No. EO-2008-0216 based on the Staff’s February 19, 2008 Motion For Clarification Of Commission Order And Request For Expedited Treatment.

3. On February 25, 2008, the Commission issued its Second Order Directing Filing instructing the Staff and Aquila, Inc. to reply to AGP's recommendation and in doing so to explain why it is or is not appropriate for the Commission to approve the tariffs "subject to refund."

4. On February 26, 2008, Aquila replied, in part: ". . . Aquila believes that any reference to the 'refundable' nature of the quarterly adjustment should also reference that the process is governed by the Stipulation in Case No. HR-2005-0450." The Staff has no objection to Aquila's suggested language: "' . . . approved subject to refund pursuant to the terms of the Stipulation And Agreement approved in Case No. HR-2005-0450.'" The entire paragraph 8.4 at page 6 of the Stipulation And Agreement in Case No. HR-2005-0450, which contains the refund language, states as follows:

As detailed below, there will be prudence reviews and true-up of revenues collected and costs. A reconciliation account shall be created to track, adjust and return true-up amounts and prudence amounts not otherwise refunded. The difference between the costs intended for recovery and revenues collected will be tracked in a reconciliation account. Fuel costs collected in rates will be refundable based on true-up results and findings in regard to prudence. Adjustments, if any, necessary by Commission order pursuant to any prudence review shall also be placed in the reconciliation account for collection unless a separate refund is ordered by the Commission. A reconciliation rate shall be established at a level designed to bring the reconciliation account to zero over a period of not less than 12 months and not more than 24 months. The rate may be adjusted quarterly.

The parties to the nonunanimous Stipulation And Agreement were AGP, Aquila, the City of St. Joseph, Missouri, and the Staff. No party timely filed objection to the nonunanimous Stipulation And Agreement, therefore the Commission treated it as unanimous. The Commission held an on the record presentation and questioned the signatory parties as well as the parties that did not sign, but did not object to, the nonunanimous Stipulation And Agreement.

**WHEREFORE** the Staff submits this pleading as its reply to AG Processing, Inc.'s February 25, 2008 filing, the Commission's Second Order Directing Filing issued February 25, 2008, and Aquila's Response To Second Order Directing Filing filed on February 26, 2008.

Respectfully submitted,

**/s/ Steven Dottheim**

Steven Dottheim  
Chief Deputy General Counsel  
Missouri Bar No. 29149

Attorney for the Staff of the  
Missouri Public Service Commission  
P. O. Box 360  
Jefferson City, MO 65102  
(573) 751-7489 (Telephone)  
(573) 751-9285 (Fax)  
steve.dottheim@psc.mo.gov

### **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 27th day of February 2008.

**/s/ Steven Dottheim**