

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

In the matter of Aquila Networks - MPS)	
and L&P's Purchased Gas Adjustment)	
(PGA) Factors to be Reviewed in its)	Case No. GR-2005-0271
Actual Cost Adjustment.)	

STAFF'S JUNE 21, 2007 RECOMMENDATION

COMES NOW the Staff ("Staff") of the Missouri Public Service Commission ("Commission") in the above-captioned matter, and respectfully states as follows:

1. On January 5, 2007, Aquila Inc. ("Aquila") filed its Response to the Staff's December 6, 2006 Recommendation. Although not a party to this Aquila ACA case, The Empire District Gas Company ("EDG"), which acquired the gas properties from Aquila on June 1, 2006, attached to the Aquila filing its own verified response to the Staff's Recommendation¹.

2. Over the past several months, the Staff has filed a number of status reports, all indicating its view that there are, in effect, no contested issues in this proceeding, but that: a) some related refund tariff language (tariff sheet 57) needed to be worked out between EDG and the Staff, and b) a Commission decision approving EDG's Ad Valorem refund plan in Case No. GT-2007-0207 should be required before the instant case could be closed.

3. On February 15, 2007, the Commission issued an Order Approving Tariff Regarding Refunds in Case No. GT-2007-0207. The Commission's approval satisfies the Staff's concern as it applies to the instant proceeding.

¹ Given that EDG, as the new owner of the subject gas distribution properties in Missouri, will be responsible for implementing the Commission's order in the instant case, the Staff suggests that EDG be made a party to this case.

4. The Staff's December 6, 2006 Recommendation included a recommendation that the refund provision in tariff sheet 57 be revised in order to eliminate one of two conflicting methods for computing interest. In its verified response, EDG requested that the Staff propose specific tariff language to that effect. EDG also requested that the eventual changes to the tariff language regarding the refund interest calculation be filed as part of an overall tariff filing that replaces all references to Aquila, with references to The Empire District Gas Company. The Staff was agreeable to both of EDG's requests.

5. EDG and the Staff worked jointly to develop revised tariff language regarding the calculation of refund interest. EDG and Staff have agreed that EDG will file revised tariff sheets 56 and 57, both of which are affected by the agreed-upon change in the refund language. Although, as indicated above, a broader filing to reflect the aforementioned change in ownership throughout the tariff was initially contemplated, the Staff and EDG have agreed that EDG's filing, for purposes of the instant case, will be limited to said tariff sheets 56 and 57, which do include the name change to The Empire District Gas Company. Attached hereto as Appendix A are illustrative tariff sheets 56 and 57.

6. In its aforementioned Response to the Staff's December 6, 2006 Recommendation, Aquila suggested that corrections needed to be made in order reflect the proper storage balance for the month ending August 2005. Upon reviewing Aquila's claims, the Staff agrees that Aquila's suggestions are correct. Accordingly, the adjusted account balances are attached hereto as Appendix B. The Staff recommends that the Commission order EDG to reflect these account balances on its books.

7. It is the Staff's understanding that Aquila, EDG, and the Office of the Public Counsel have no objections to the Staff's recommendations as set forth herein.

WHEREFORE, there being no issue in dispute in this proceeding, the Staff respectfully requests that the Commission issue an Order: **(1)** making EDG a party to the instant case; and **(2)** directing EDG: a) to file tariff sheets consistent with the illustrative tariff sheets (sheets 56 and 57) attached as Appendix A, and b) to adjust its account balances in accordance with attached Appendix B.

Respectfully submitted,

/s/ **Dennis L. Frey**

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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 21st day of June 2007.

/s/ **Dennis L. Frey**

STATE OF MISSOURI, PUBLIC SERVICE COMMISSION

P.S.C. MO. No.	<u>1</u>	<u>1st</u>	Revised	Sheet No.	<u>56</u>
Canceling P.S.C. MO. No.	<u>1</u>		Original	Sheet No.	<u>56</u>

THE EMPIRE DISTRICT GAS COMPANY
JOPLIN, MO 64802

FOR: All Communities and Rural Areas Receiving
Natural Gas Service

PURCHASED GAS ADJUSTMENT CLAUSE (continued)
GAS

- E. Revenues received that are attributable to any non-permanent assignment of capacity under the transportation service schedules will be credited to the appropriate system ACA accounts. This credit shall be the greater of the maximum rate as published in the interstate pipeline's tariff applied to the assigned volumes or actual revenues received from the assignment. Also, all revenues collected which are attributable to the Daily Balancing Charge, Daily Out-of Balance Charge, Monthly Cash-Out Charge, Unauthorized Delivery Charge, and the Monthly Balancing Service charges shall be credited to the respective system ACA accounts.
- F. Any refunds which the Company receives in connection with natural gas services purchased, together with any interest included in such refunds, will be returned to the Company's appropriate customer classes unless otherwise ordered by the Commission. Such refunds shall be credited to the ACA account in the month received and shall be a part of the overall ACA interest calculation effective September 1, 2007.

III. CARRYING COSTS (EFFECTIVE SEPTEMBER 1, 2007)

For each month during the ACA period and for each month thereafter, interest at a simple rate equal to the prime bank lending rate, as published in the Wall Street Journal on the first business day of the following month, minus two (2) percentage points, shall be credited to customers for any over-recovery of gas costs or credited to the company for any under-recovery of gas costs. Interest shall be computed based upon the average of the accumulated beginning and ending monthly over or under recoveries of all PGA related costs. The Company shall maintain detailed work papers that provide the interest calculation on a monthly basis. The Staff and Public Counsel shall have the right to review and propose adjustment to the Company's monthly entries to the interest calculation.

Initially, monthly interest shall be credited as described above based upon the average of the ending balance determined from the monthly ACA balance ending August 31, 2007 and the monthly ACA balance ending September 30, 2007.

DATE OF ISSUE:
ISSUED BY: Kelly S. Walters, Vice President

EFFECTIVE DATE:

Appendix A

STATE OF MISSOURI, PUBLIC SERVICE COMMISSION

P.S.C. MO. No.	<u>1</u>	<u>1st</u>	Revised	Sheet No.	<u>57</u>
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THE EMPIRE DISTRICT GAS COMPANY
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PURCHASED GAS ADJUSTMENT CLAUSE (continued)
GAS

IV. REFUND FACTORS

The Company shall maintain a Refund account until the month ended August 31, 2007. The treatment of any refund balance remaining at that time is described in Section II, Part F of the Company's tariffs (sheet 56).

A separate refund factor shall be computed for each of the Company's systems, and for each PGA rate classification. Any refunds the Company received in connection with natural gas services purchased, together with interest included in such refunds, will be refunded to the Company's applicable customers, unless otherwise ordered by the Commission. Such refunds shall be credited to the ACA account in the month received and shall receive interest as part of the overall ACA interest calculation. The updated refund factor will be based on projected volumes for the period from the implementation date to November 1.

The refund factors shall be calculated in accordance with the following:

A. Firm Customers:

The portion of the refund allocated to the Firm customers and received from the applicable wholesale supplier, including interest paid by the supplier, shall be divided by the estimated number of Ccfs to be sold in the succeeding twelve (12) months to Company's regular firm sales customers. The resulting per Ccf factor, rounded to the nearest \$.00001 per Ccf, shall be applied as a credit to each firm sales customer's bill over the succeeding twelve (12) months by multiplying such unit refund credit by the total Ccfs billed to each customer in each billing period.

The length of the refund period shall generally be twelve (12) months, with any over/under payment rolling into the next PGA Filing. Company shall add interest to the balance of refunds received from its suppliers remaining to be distributed to its firm customers. The interest shall be calculated at six (6) percent simple interest compounded annually. For each twelve (12) month refund distribution period, an estimate of the interest to be so added by Company shall be included in determining the per-Ccf refund rate to be applied to bills pursuant to the above paragraphs.

B. Interruptible Customers:

The portion of the refund allocated to interruptible sales customers and received from the wholesale supplier, including interest paid by the supplier, shall be included in the next scheduled or unscheduled PGA filing. Where the amount allocated to interruptible customers includes supplier refunds resulting from more than one proceeding, a single refund period may be selected for the computation of the refund amounts due interruptible customers, whereby this period would most nearly correspond to the period of the proceeding during which the greater portion of the refund was generated. The amount to be refunded to each interruptible customer shall be computed by dividing

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Appendix A

Description (+) Under-recovery (-) Over-recovery	8-31-05 Ending Balances Per Filing	Commission Approved Adjustments Prior to 2004- 2005 ACA	Staff Adjustments For 2004-2005 ACA	Staff Revised 8-31-05 Ending Balances
Southern System: Firm ACA	\$1,210,642	(\$39,727) (A)		\$1,170,915
Interruptible ACA	(\$9,563)	\$0		(\$9,563)
Take-or-Pay (TOP)	\$0	\$0		\$0
Transition Cost (TC)	\$0	\$0		\$0
Refund	(\$207,288)	\$0		(\$207,288)
Northern System: Firm ACA	\$212,531	(\$9,245) (A)		\$203,286
Interruptible ACA	\$104,100	\$0		\$104,100
Take-or-Pay (TOP)	\$0	\$0		\$0
Transition Cost (TC)	\$0	\$0		\$0
Refund	(\$41,829)	\$0		(\$41,829)
L & P System: Firm ACA	(\$177,247)	(\$36,596) (A)	(\$5,990) (B)	(\$219,833)
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) 8-31-04 beginning balance adjusted to prior year ending balances (See order in GR-2004-0539, filed 1-26-06).

B) Storage

APPENDIX B

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

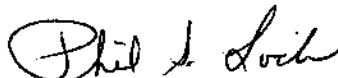
IN THE MATTER OF AQUILA NETWORKS-MPS)
AND L&P'S PURCHASED GAS ADJUSTMENT)
FACTORS TO BE REVIEWED IN ITS ACTUAL)
COST ADJUSTMENT)

Case No. GR-2005-0271

AFFIDAVIT OF PHIL S. LOCK

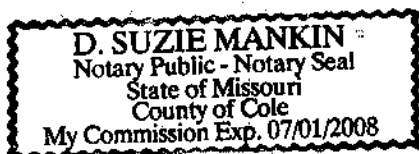
STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

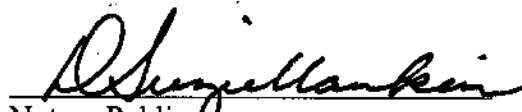
PHIL S. LOCK, of lawful age, on oath states: that he participated in the preparation of the foregoing Staff's June 21, 2007 Recommendation, to be presented in the above case; that the information in the Recommendation was given by him; that he has knowledge of the matters set forth in such Recommendation; and that such matters are true to the best of his knowledge and belief.



PHIL S. LOCK

Subscribed and sworn to before me this 20th day of June, 2007.





Notary Public