

LAW OFFICES
BRYDON, SWEARENGEN & ENGLAND

DAVID V. G. BRYDON
JAMES C. SWEARENGEN
WILLIAM R. ENGLAND, III
JOHNNY K. RICHARDSON
GARY W. DUFFY
PAUL A. BOUDREAU
SONDRA B. MORGAN
CHARLES E. SMARR

PROFESSIONAL CORPORATION
312 EAST CAPITOL AVENUE
P.O. BOX 456
JEFFERSON CITY, MISSOURI 65102-0456
TELEPHONE (573) 635-7166
FACSIMILE (573) 635-3847
E-MAIL: DCOOPER@BRYDONLAW.COM

DEAN L. COOPER
MARK G. ANDERSON
GREGORY C. MITCHELL
BRIAN T. MCCARTNEY
DIANA C. FARR
JANET E. WHEELER

OF COUNSEL
RICHARD T. CIOTTONE

November 5, 2004

Secretary
Missouri Public Service Commission
200 Madison St
Jefferson City, MO 65102

RE: Case No. GR-2004-0539

Dear Sir:

Filed with this cover letter are electronic copies of PSC MO. No. 1, 1st Revised Sheet No. 61, 2nd Revised Sheet No. 62 and 1st Revised Sheet No. 64 reflecting a change in the Purchased Gas Adjustment, Actual Cost Adjustment, Refund Factor and Deferred Carrying Cost Balance of the Missouri Public Service Purchased Gas Adjustment Clause.

The Purchased Gas Adjustment Clause for Aquila Networks – MPS and L&P, requires an annual actual cost adjustment for the over recovery or under recovery resulting from the operation of the Regular Purchased Gas Adjustment section of the Purchased Gas Adjustment Clause and a calculation of the Annual Purchased Gas Adjustment. Reconciliations for the Refund Factors and Deferred Carrying Cost Balance are also required.

Purchased Gas Adjustment

Enclosures 1, 2 and 3 reflect the Purchased Gas Adjustment (PGA) calculations for the Southern System, Northern System and L&P. Each PGA has been developed using the November 2004 FERC index, fixed gas cost and storage for the months of November 2004 through October 2005. The tariff rate changes for the Southern System are based on the Southern Star Central Gas Pipeline, Inc. filings of their FERC Gas Tariffs, Third Revised Sheet No. 10, Third Revised Sheet No. 11 and Second Revised Sheet No. 12. The tariff rate changes for the Northern System are based on the Panhandle Eastern Pipe Line Company filings of their FERC Gas Tariffs, Third Revised Sheet No. 5, Third Revised Sheet No. 8, First Revised Sheet No. 9, First Revised Sheet No. 10, First Revised Sheet No. 11 and First Revised Sheet No. 19. The tariff rate changes for L&P are based on the ANR filings of their FERC Gas Tariffs, Eighth Revised Sheet No. 6 and Thirty-Ninth Revised Sheet No. 17.

Actual Cost Adjustment

Enclosed as Enclosure 4 are minimum filing requirement schedules that are the basis of the Actual Cost Adjustment portion of this filing. Schedule 4 of Enclosure 4 is a summary showing revenue, purchased gas costs, and over or under recovery for the year ended August

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2004 and the proposed changes in the ACA rates to be effective November 20, 2004. Detailed supporting workpapers are available for the Commission Staff audit.

The summary schedule shows that revenue recovery was less than purchased gas cost in the amount of \$1,041,960.49 for the Southern System, less than purchased gas cost in the amount of \$478,199.88 for the Northern System and less than purchased gas cost in the amount of \$363,882.45, for L&P. Total revenue recovery was \$1,978,580.09 less than purchased gas cost.

Transition Cost

Enclosed, as Enclosure 5 is the calculation of the Transition Cost. Effective 07/01/2004 the Dakota Reservation Surcharge has been eliminated. An over recovery exists from the 2003/2004 ACA year. Aquila-L&P proposes to reduce the L&P under recovery by transferring the calculated TC over recovery through October 2004 to the 191 account.

Southern System Refund Factor

Enclosed, as Enclosure 6 is a summary schedule detailing the activity for the refund factor under the Southern System. MPS received several refunds from Southern Star Central Gas Pipeline, Inc. On April 30, 2004 a refund in the amount of \$78.10 relating to Docket No. RP04-87 was received. On June 29, 2004 a refund for \$9,143.23 relating to Southern Star Cash-out activity was received. On November 26, 2003 an additional Ad Valorem refund for \$4,303.65 was received. Remaining refund dollars from Case GE-2004-0528 in the amount of \$87,723.70 has also been included in Enclosure 6. Interest has been calculated by MPS at the annual rate of six percent from the date the refunds were received by MPS until six months after the refund rate is scheduled to be in effect in accordance with our Purchased Gas Adjustment Clause. Aquila has determined a new refund factor for the Southern System.

Northern System Refund Factor

Enclosed, as Enclosure 7 is a summary schedule that details the activity for the refund factor under the Northern System. MPS received several refunds from Panhandle Eastern Pipeline Co. On April 21, 2004 an Ad Valorem refund in the amount of \$1,795.68 was received. On July 16, 2004 an Ad Valorem refund for \$3,073.88 was received. Remaining refund dollars from Case GE-2004-0528 in the amount of \$14,391.83 has also been included in Enclosure 7. Interest has been calculated by MPS at the annual rate of six percent from the date the refunds were received by MPS until six months after the refund rate is scheduled to be in effect in accordance with our Purchased Gas Adjustment Clause. Aquila has determined a new refund factor for the Southern System.

Deferred Carrying Cost Balance

Enclosures 8, 9 and 10 reflect the Deferred Carrying Cost Balances for the Southern System, Northern System and L&P. Carrying costs are calculated on all Deferred Carrying Cost Balances that exceed ten percent of an average annual gas cost threshold. This results in carrying costs collected from the customer in the amount of (\$714.00) for the Southern System, (\$0.00) for the Northern System, and (\$323.00) for L&P.

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Enclosed as Enclosures 11, 12 and 13 are the Prior Period Adjustment Summaries for the Southern system, Northern System and L&P.

Enclosures 14, 15 and 16 reflect the seasonal revenue impact associated with the gas cost recovery portion of the rates. The seasonal revenue impact results in an increase in the amount of \$6,544,338 or 34.87% for the Southern System, an increase in the amount of \$1,582,041 or 22.27% for the Northern System and an increase in the amount of \$557,598 or 14.55% for L&P.

Aquila respectfully requests that these rates become effective with volumes taken on and after November 20, 2004.

Sincerely yours,

BRYDON, SWEARENGEN & ENGLAND P.C.

By:

Dean L. Cooper

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Enclosures
cc: Office of the Public Counsel (2)