

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

In the Matter of the Resource Plan of Aquila,)
Inc., d/b/a Aquila Networks – MPS and Aquila)
Networks – L&P Pursuant to 4 CSR 240-22) Case No. EO-2007-0298

NON-UNANIMOUS STIPULATION AND AGREEMENT

Pursuant to 4 CSR 240-22.080(8), Aquila, Inc., d/b/a Aquila Networks – MPS and Aquila Networks – L&P (“Aquila” or the “Company”), the Staff of the Missouri Public Service Commission (“Staff”), the Office of the Public Counsel (“OPC”), the Missouri Department of Natural Resources (“DNR”), and Dogwood Energy, LLC (“Dogwood”) (collectively, the “Signatories” or individually, a “Signatory”) hereby submit to the Missouri Public Service Commission (“Commission”) a Non-unanimous Stipulation and Agreement (the “Agreement”) to resolve all alleged deficiencies in the resource plan Aquila submitted in this proceeding on February 5, 2007.

In support hereof, the Signatories offer as follows:

BACKGROUND

On February 5, 2007, Aquila submitted to the Commission Aquila's compliance filing with Chapter 22 of the Commission's Electric Utility Resource Planning rules, “Aquila Networks – Missouri Integrated Resource Plan” (Resource Plan Filing). An additional compliance filing (Supplemental Filing) was made by Aquila on October 2, 2007, to provide additional information and clarify certain aspects of the original filing.

Pursuant to 4 CSR 240-22.080(5) and (6), on June 19, 2007, Staff, OPC, and DNR submitted their reports concerning the adequacy of Aquila's February 5 compliance submission.

The reports of Staff, OPC, DNR, and Dogwood allege certain deficiencies in Aquila's compliance filing.

Staff also had concerns that do not rise to the level of being deficiencies. Not all of those concerns are resolved. In its initial report, Staff noted that it had eight (8) concerns with Aquila's forecasts. Staff was not able to cite any specific rule section or subsection that Aquila did not meet, but regardless, Staff still had concerns. While a specified process can yield a result with high statistical accuracy, it is still important to look at the results of the analysis and see if they are reasonable. This is where Staff's concerns lie. Aquila attempted to address Staff's concerns in its *Reply to Missouri Public Service Commission Staff Report* and in subsequent meetings. As a result, some of Staff's concerns were satisfied; however, these discussions did not resolve all of Staff's concerns with Aquila's forecasts. Aquila does not necessarily agree that the Staff's concerns are valid, but Aquila is continuing to work with Staff to address Staff's concerns.

The Commission's resource planning rules provide that 'If the staff, public counsel or any intervener finds deficiencies, it shall work with the electric utility and the other parties to reach, within forty-five (45) days of the date that the report or comments were submitted, a joint agreement on a plan to remedy the identified deficiencies.' 4 CSR 240-22.080(8). Aquila, Staff, the OPC and the DNR have been working together to develop a joint agreement. The parties have

agreed to resolve each alleged deficiency in the manner described below. The alleged deficiencies are numbered consistent with the numbering or presentation in the reports filed by Staff, OPC, DNR, and Dogwood.

As part of the resolution of the alleged deficiencies below, Aquila agrees to accelerate its next Resource Plan Filing to August 5, 2009 (next Resource Plan Filing).

AGREEMENT AS TO AREAS OF ALLEGED DEFICIENCIES

Load Analysis and Forecasting (4 CSR 240-22.030)

Staff of the Missouri Public Service Commission:

- 1) *Lack of subclass detail. 4 CSR 240-22.030 (1)(A)1.*

In Aquila's next Resource Plan Filing, the forecast will be conducted using, at a minimum, Class Cost of Service ("CCOS") level subclasses or Aquila will request a variance that will include an explanation of why Aquila believes this level of subclass detail is not necessary.

- 2) *Lack of subclasses. 4 CSR 240-22.030 (1)(A)2.*

See the response to Staff Deficiency 1.

- 3) *Data base used did not meet the requirements of the rule. 4 CSR 240-22.030(1)(D)*

In its next Resource Plan Filing Aquila will utilize data starting from January 1, 1996 or request a variance from the requirements of the rule. The variance request will include a description of the data issues that make the request necessary.

- 4) *Lack of end-use information. 4 CSR 240-22.030 (3)(A)1.,*

Through discussions with the other parties, Aquila further explained its end-use information that was included in the Resource Plan Filing. Staff is now in agreement that Aquila provided end-use information as required.

5) *Lack of schedule to acquire end-use information. 4 CSR 240-22.030 (3)(A)2.*

Aquila will evaluate the cost effectiveness of performing an end-use survey and will provide the results of the analysis to the Signatories by August 5, 2008. If the benefit does not outweigh the costs to obtain the data, Aquila will request variances from the appropriate rules. See also the response to Staff Deficiency 29.

6) *Lack of end-use data. 4 CSR 240-22.030 (3)(A)4.*

In Aquila's next Resource Plan Filing, it will show detailed end-uses for all classes, including miscellaneous end-uses, rather than summarizing end-uses into heating, cooling and non-weather sensitive base end-uses, or it will request a variance.

7) *Lack of survey data concerning saturation and efficiency levels. 4 CSR 240-22.030 (3)(B)1.*

See the response to Staff Deficiency 5.

8) *Lack of end-use monthly estimates. 4 CSR 240-22.030 (3)(B)2.*

Through discussions with the other parties and the submission of work papers, Aquila further explained its end-use monthly estimates. Staff is now in agreement that Aquila provided end-use monthly estimates as required.

9) *Lack of end-use load profiles. 4 CSR 240-22.030 (4)(A)*

Through discussions with the other parties, Aquila further explained its end-use load profiles. Staff is now in agreement that Aquila provided end-use load profiles as required.

10) No end-use load profile calibration. 4 CSR 240.030 (4)(B)

Through discussions with the other parties, Aquila further explained its end-use load-profile calibration. Staff is now in agreement that Aquila met this requirement.

11) Lack of end-use forecasted monthly energy demand at time of summer and winter peaks. 4 CSR 240-22.030 (5)(B)2.B.

Through discussions with the other parties and the submission of work papers, Aquila further explained its end-use forecasted monthly demand peak data. Staff is now in agreement that Aquila met this requirement.

12) Lack of measures of stock of energy using capital by end-use. 4 CSR 240-22.030 (5)(B)2.C.

The forecasting method selected by Aquila does not require separate forecasts of stocks of energy-using capital goods. If the forecasting methodology does not change, a variance will be requested. The variance request will include a discussion of why Aquila believes the information is not necessary.

Supply-Side Resource Analysis (4 CSR 240-22.040)

Staff of the Missouri Public Service Commission:

13) Aquila did not provide all required information for the supply side resources. 4 CSR 240-22.040(1)(A-L)

The cost data that was utilized by Aquila in the screening of power supply resources included the costs of waste generation, water impacts and siting impacts. These costs, however, were not listed individually; instead they were included with capital and operating costs. Aquila will include information on these costs and discussion of the qualitative impacts of these issues in its next Resource Plan Filing.

14) Aquila did not show that it analyzed all supply side options identified. 4 CSR 240-22.040(1)(A)-(L)

See response to Staff deficiencies 18 and 19.

15) Aquila provided incomplete information on levelized costs of resources. 4 CSR 240-22.040(2)(A)

Through discussions with the other parties and the submission of work papers, Aquila further explained its levelized costs. Staff is now in agreement that Aquila met this requirement.

16) Aquila provided incomplete information on environmental mitigation. 4 CSR 240-22.040(2)(B)

Aquila will include the information required to satisfy the Commission's regulations concerning this issue in its next Resource Plan Filing or request a variance from the requirements of the rule.

17) Aquila provided no documentation of its analysis of existing and planned interconnection of potential resource options. 4 CSR 240-22.040(3)(A)-(C)

Through discussions with the other parties and the submission of work papers, Aquila further explained the assumptions for the interconnection of potential resource options. Staff is now in agreement that Aquila met this requirement.

18) Aquila provided no documentation of any analysis of life extension and refurbishment of existing plants. 4 CSR 240-22.040(4)

In addition to the information already provided to the Signatories in both the initial and Supplemental Filing, in its next Resource Plan Filing, Aquila will study and provide documentation of ongoing efficiency improvements, capacity modifications, and refurbishments for existing plants and include analyses of efficiency improvements and refurbishment as supply-side resources. Aquila has engaged Black & Veatch to perform a Brownfield Site Evaluation Study. This study will be provided to the Signatories by November 15, 2007. Aquila will provide updates on this topic in its semi-annual resource planning meetings.

19) Aquila provided incomplete information on purchase power agreements. 4 CSR 240-22.040(5)(A)-(G)

Through discussions with the other parties and the submission of work papers, Aquila further explained the assumptions for purchase power agreements. In addition, Aquila will provide to the Signatories a summary of the methodology and results of the analysis of the proposals received in Aquila's 2007 Request for Power Supply Proposals before October 31, 2007.

20) Aquila provided incomplete information on transmission costs for all resources. 4 CSR 240-22.040(6)

Through discussions with the other parties, the submission of work papers and the Supplemental Filing, Aquila further explained the transmission costs for the supply-side resources. Staff is now in agreement that Aquila met this requirement.

21) Aquila provided no information regarding existing distribution facilities. 4 CSR 240-22.040(7)

The Federal Energy Regulatory Commission's Standards of Conduct for Transmission Providers (Order No. 2004) ("Standards of Conduct") imposes significant restrictions on the transmission related data that Aquila's transmission group can share with Aquila's supply-side group. Aquila's transmission group cannot, for example, share with the energy resource management group transmission system upgrades or improvements under consideration that are not a matter of public record on Aquila's Open Access Same time Information System ("OASIS"). Given such restrictions, the Signatories agree that Aquila's transmission group will file information about Aquila's transmission system upgrades or improvements under consideration (the "Transmission Submission") at the time Aquila makes its next Resource Plan Filing. Aquila will make individuals from its transmission group available to discuss the Transmission Submission with the parties. Aquila will seek a variance from 4 CSR 240-22.040(7) as it relates to transmission in its future Resource Plan Filings, should these FERC Code of Conduct restrictions and the provision in this Agreement regarding the "Transmission Submission" make such a variance necessary.

Distribution system efficiency improvements that are under consideration and the improvements that are planned will both be described in Aquila's next Resource Plan Filing. To the extent a variance is required, Aquila will request a variance from 4 CSR 240-22.040(7) as it relates to distribution and supply appropriate analysis to support the request.

22) *Aquila provided incomplete information regarding the fuel forecasts.*
4 CSR 240-22.040(8)(A)

Aquila has filed with the Commission additional information from its natural gas forecast provider, Global Energy, to clarify the methodology used in the development of the natural gas forecast. This information can be found in the Supplemental Filing in the file titled "Fuel Forecast Methodology.doc". In Aquila's next Resource Plan Filing, Aquila will provide a more complete description of the methodology used in the development of its fuel forecasts.

23) *Aquila provided incomplete information for capital costs.* 4 CSR 240-040(8)(B)

Through discussions with the other parties and the submission of work papers, Aquila further explained its capital costs, range of estimates, probabilities, and critical uncertain factors. Staff is now in agreement that Aquila met this requirement.

24) *Aquila provided incomplete information for annual fixed and variable operation and maintenance costs.* 4 CSR 240-040(8)(C)

Through discussions with the other parties and the submission of work papers, Aquila further explained its operation and maintenance costs, range of

estimates, probabilities, and critical uncertain factors. Staff is now in agreement that Aquila met this requirement.

25) *Aquila provided no information for leased or rented facilities. 4 CSR 240-040(8)(E)*

Through discussions with the other parties, Aquila further explained that it did not assume to utilize any leased or rented facilities in the development of its resource plan. Staff is now in agreement that Aquila met this requirement.

Office of Public Counsel:

1. *4 CSR 240-22.040(9)(A) - Failure to comply with filing requirements with respect to plant life extension and refurbishments and biomass generation.*

Aquila's screening analysis included biomass resources, but no biomass options available to Aquila were determined to be cost effective. In its next scheduled Resource Plan Filing, Aquila will analyze additional biomass technologies and the co-firing of biomass at existing facilities. Aquila will review the availability and cost of additional biomass fuels, including energy crops and biomass waste, near its Missouri service territory and describe the results of this review in its next Resource Plan Filing. Aquila will provide updates on this topic in its semi-annual resource planning meetings.

The opportunities for life extension and refurbishment are addressed in response to Staff deficiency 18.

Department of Natural Resources:

(1) *Deficiencies in analysis of dispatchable renewable resources*

In its next scheduled Resource Plan Filing, Aquila will analyze dispatchable renewable resources, including landfill gas generation and additional biomass technologies, such as gasified biomass, biomass co-firing and feed stocks in addition to waste wood. Additionally, Aquila will separately analyze biomass resources and resources using waste products as a fuel source. See also the response to OPC deficiency 1.

(2) Deficiencies in analysis of efficiency improvements and refurbishment at existing facilities

See response to Staff deficiency 18.

(3) Wind resources

Before October 31, 2007, Aquila will provide information on the vendor proposals that were due on April 27, 2007, in response to Aquila's March 19, 2007 request for proposals ("RFP"). In addition Aquila will provide the results of and methodology used in the analysis of the offers received and the impacts of those options on the preferred plan identified in the 2007 Resource Plan Filing. During its semi-annual resource planning meetings, Aquila will inform the parties concerning its plans for issuing future wind RFPs and its preliminary analysis of the viability of the proposals.

Dogwood Energy, LLC:

(1) Aquila did not adequately consider combined cycle technologies.

Aquila will conduct financial and operational analysis of resource options that result from its 2007 RFP and will document and provide the results to the Signatories by October 31, 2007. See also response to Staff deficiency 19.

(2) *Executive summary describes LMS100 and Siemens Super Peaker as the CT technology in the preferred plan, however the size of these technologies is not consistent with the unit resource sizes in the preferred plan.*

Through discussions with the other parties, Aquila further explained its preferred plan. Dogwood is now in agreement that these technologies were not specifically evaluated in the preferred plan analysis, although they are potential technology choices during the period evaluated in the Resource Plan Filing. Dogwood is now in agreement that this is no longer a deficiency in the Resource Plan Filing.

(3) *Aquila references that it did not consider generating unit retirement options in its filing.*

See response to Staff deficiency 18.

Demand-Side Resource Analysis (4 CSR 240-22.050)

Staff of the Missouri Public Service Commission:

26) *Avoided costs were not calculated according to the rule. 4 CSR 240-22.050(2)*

In its next scheduled Resource Plan Filing, Aquila shall comply with the requirements of 4 CSR 240-22.050(2) for estimating and documenting avoided capacity costs or apply for a variance from the rule.

27) *Aquila did not screen end-use measures. 4 CSR 240-22.050(3)*

Through discussions with the other parties and the submission of work papers, Aquila further explained its measures screening process. Staff is now in agreement that Aquila met this requirement.

28) *Technical potential of end-use measures was not evaluated.* 4
CSR 240-22.050(4)

Documentation of the technical potentials of the end-use measures that were screened are included in the Supplemental Filing in the file titled "Appendix B – Res and Com Measures_070507.xls". Staff is now in agreement that Aquila met this requirement.

29) *Aquila did not conduct market research specific to its Missouri territory.* 4 CSR 240-22.050(5)

Aquila will gain market research data through the implementation of Demand Side Management ("DSM") programs resulting from the 2007 Resource Plan Filing. In addition, Aquila will consider performing additional market research studies (including but not limited to estimates of the baseline that will be used for the screening of building shell measures and programs) and will initiate or develop plans to conduct such studies or explain why such studies are not necessary if it seeks a variance of this requirement in its next Resource Plan Filing (see also the response to Staff deficiency 5). Aquila will provide to the Signatories a list of potential research studies with estimated costs by January 31, 2008 and include the results of any studies in the next Resource Plan Filing.

30) *Limited Demand-Side Programs were passed to integration.* 4
CSR 240-22.050(7)(B)

Through discussions with the other parties, Aquila further explained its program screening and integration process. Staff is now in agreement that

Aquila screened and integrated demand-side programs. See also avoided cost reference in Staff deficiency 26.

31) *Aquila did not evaluate programs for load-building potential. 4 CSR 240-22.050(10)*

In its next Resource Plan Filing, Aquila's analysis will include an evaluation of the potential load building implications for all existing and proposed demand-side programs that include compensation for end-use measures where load building may occur.

Office of Public Counsel:

2) *Failure to follow IRP rules on avoided cost calculations and failure to apply the appropriate avoided capacity and energy costs in the screening of demand-side resources.*

In Aquila's next scheduled Resource Plan Filing, it shall comply with the requirements of 4 CSR 240-22.050(3) and (7) for screening end-use measures and programs or apply for a variance of the rules. See also the response to Staff deficiency 26.

3) *Failure to provide all end use measure costs as required by 4 CSR 240-22.050(11)(B).*

Aquila has provided to the Signatories and has filed with the Commission additional information on the end use measure costs as required by 4 CSR 240-22.050(11)(B) in the file titled "Appendix B – Res and Com Measures_070507.xls".

4) *Aquila used a questionable and novel method to reflect program savings and costs over the 20 year planning horizon.*

Through discussions with the other parties, Aquila further explained its methodology for the development of program benefits and costs.

5) *Aquila used an unreasonably high baseline for the screening of building shell measures and the programs that contain those measures by assuming that the new construction of residential dwellings within Aquila's service territory are being largely built to standards consistent with the 2003 International Energy Conservation Code for 2003.*

Through discussions with the other parties, Aquila further explained its methodology for the screening of building shell measures. Additional market research, as discussed in the response to Staff deficiency 29, should help determine the appropriateness of the assumptions made.

6) *Aquila used a flawed methodology to assess the cost effectiveness of direct load control of residential air conditioners as a demand-side resource.*

The inclusion of redundant equipment was noted during the presentation of the Resource Plan Filing and subsequently addressed by Aquila's demand-side management consultant, Quantec, LLC ("Quantec"). The revised analysis indicated that the redundant equipment may have caused the program cost to be overstated by approximately 6%. Revised cost effectiveness analysis indicated that even at the lower program cost, the program did not pass the total resource cost screen. Aquila agrees to revisit and provide to the Signatories more details on the revised analysis by January 31, 2008. If the cost per participant is less

than \$376, Aquila will include it in an integrated analysis to be completed by March 31, 2008.

7) *Aquila failed to use best practices to inform its design of a residential AC energy efficiency program.*

Aquila has included a revised program description of its residential AC energy efficiency program, which includes Manual J sizing, in the Supplemental Filing in the file titled "Residential AC Energy Efficiency Program.doc".

Department of Natural Resources:

(4) *Deficiencies in analysis of point-of-use resources*

In its next scheduled Resource Plan Filing, Aquila will include point-of-use resources such as distributed generation and thermal storage in the demand-side screening and consider and analyze them on an equivalent basis with supply-side resources. Aquila will provide updates on this topic in its semi-annual resource planning meetings.

(5) *Deficiencies in the estimation of avoided capacity cost*

See response to OPC deficiency 2.

(6) *Deficiencies in meeting requirements for demand-side research and evaluation*

See response to Staff deficiency 29.

(7) *Additional deficiencies in DSM analysis*

Aquila has provided to the Signatories additional information on the DSM program load impacts to clarify the differences.

(8) *As discussed in the comments, Aquila's filing contains a possibly flawed characterization of clothes washers. Aquila should investigate whether there were flaws in the method used to estimate energy savings from measures related to clothes washers and if so, to make appropriate adjustments in its implementation plans for promoting appliance efficiency.*

This question was subsequently clarified. The Quantec study included all savings from high efficiency clothes washers as water heating savings rather than differentiating the savings between clothes drying and water heating. The total savings was not affected.

Integrated Resource Analysis (4 CSR 240-22.060)

Staff of the Missouri Public Service Commission:

32) *Deficiencies in supply-side and demand-side analysis limit the development of alternative resource plans. 4 CSR 240-22.060(3)*

The issues with the supply-side and demand-side analysis are addressed previously in this agreement.

33) *Aquila did not treat supply-side and demand-side resources on a logically consistent and economically equivalent basis. 4 CSR 240-22.060(4)(D)*

In its next Resource Plan Filing, as discussed with Staff, OPC and DNR, Aquila will employ its best efforts to utilize alternate approaches to the integration of DSM programs and will use its best efforts to include a second, more aggressive set of DSM programs.

34) *Aquila provided no documentation that it did any analysis of load building programs. 4 CSR 240-22.060(5)*

See response to Staff deficiency 31.

Office of Public Counsel:

8) *Failure to model DSM efficiency programs and DSM demand response programs separately in alternative plans that included DSM.*

In its next Resource Plan Filing Aquila agrees to perform integration analysis with and without the single largest demand response and energy efficiency programs. See also response to Staff deficiency 33.

9) *Failure to construct Alternative Plans containing both renewable resources and an increased level of DSM resources.*

See response to Staff deficiency 33.

10) *Failure to construct a wide range of alternative resource plans to be reasonably certain that the preferred plan that is ultimately chosen will result in the least cost plan subject to risk and other considerations.*

See response to Staff deficiency 33. In its next Resource Plan Filing, Aquila will closely follow the guidance in 4 CSR 240-22.060(3) regarding the development of alternative resource plans.

11) *Failure to identify and analyze load building programs as required by 4CSR240-22.060(5) and (6)(F).*

If the fixed bill pilot program is expanded beyond Aquila Networks – L&P's service territory, Aquila will evaluate any load building impact of the program in its next Resource Plan Filing. Also see response to Staff deficiency 31.

Department of Natural Resources:

(9) *As part of its current filing, Aquila should develop and subject to MIDAS analysis at least one alternative resource plan with a larger DSM budget than the budget used for the alternative resource plans (ARPs).*

See response to Staff deficiency 33.

(10) *Alternatively, as part of its contingency planning, Aquila should develop at least one ARP with a larger DSM budget, to be incorporated into contingency planning as a contingency plan that may be triggered if the utility enters a scenario under which a greater achievable potential for DSM could be expected.*

See response to Staff deficiency 33.

Risk Analysis and Strategy Selection (4 CSR 240-22.070)

Staff of the Missouri Public Service Commission:

35) *Aquila provided limited documentation to show that the resource acquisition strategy was formally approved. 4 CSR 240-22.070(10)*

Aquila confirms that Scott Heidtbrink, Vice President – Power Generation/Energy Resources, has the authority to commit the utility to the course of action described in the resource acquisition strategy. In addition, executive management reviewed and approved on January 30, 2007, the preferred resource plan contained in Part 5 of the Resource Plan Filing. A copy of the presentation made at the January 30 meeting is included in the Supplemental Filing in the file titled “01 30 07 Integrated Resource Plan Review.ppt”.

In its next Resource Plan Filing, Aquila agrees to develop, document and officially adopt a resource acquisition strategy that includes all elements listed in 4 CSR 240-22.070(10) (A) through (E). Aquila agrees that this statement of official adoption shall consist of a formal resolution by Aquila's executive management or a statement signed by officials who have been delegated this authority by executive management. In the latter case, Aquila agrees that the filing shall include a resolution by Aquila's executive management delegating this authority to the officials who sign the statement of official adoption.

36) *Aquila did not set out the range of critical uncertain factors for which the preferred resource plan or a contingency option is appropriate. 4 CSR 240-22.070(10)(C),(D)*

In its next scheduled Resource Plan Filing, Aquila will comply with the requirements of 4 CSR 240-22.070(10)(C) and (D) for documenting the range of critical uncertain factors for which the preferred resource plan is appropriate or apply for a variance.

37) *Aquila did not develop a process for monitoring and reporting on critical uncertain factors 4 CSR 240-22.070(10)(E)*

Aquila has included an expanded description of the process for monitoring and reporting on critical uncertain factors in the Supplemental Filing in the file titled "Risk Factor Monitoring.doc".

Office of Public Counsel:

12) *Failure to explicitly state and document the subjective probabilities that utility decision makers assign to each of these uncertain factors as required*

by 4 CSR 240-22.070(1) and (5).

Aquila will provide in its next Resource Plan Filing the subjective probabilities that decision makers have assigned to each of the critical uncertain factors.

13) *Failure to perform analysis required by this section of the rule for each of the uncertain factors listed in (A) – (L) of 4 CSR 240-22.070(2) and document it as required by 4 CSR 240-22.070(11).*

Aquila will provide in its next Resource Plan Filing an analysis of uncertain factors listed in (A) – (L) of 4 CSR 240-22.070(2) and document it as required by 4 CSR 240-22.070(11).

14) *Failure to select a preferred resource plan from among the alternative plans that have been analyzed pursuant to the requirements of 4 CSR 240-22.060 and sections (1)-(5) of this rule.*

In its next scheduled Resource Plan Filing, Aquila will explain the process used to select the preferred resource plan from among the alternative resource plans, including required elements identified in 4 CSR 240-22.070 (11)(F).

15) *Failure to create an implementation plan for DSM programs.*

Aquila has included additional information on the implementation plan for DSM programs in the Supplemental Filing in the files titled "Aquila ongoing demand side programs.doc" and "2007 MO EE Program Implementation Schedule 08-01-07.doc"

16) *Failure to specify the ranges or combinations of outcomes for the critical uncertain factors and explain how limits were determined.*

See response to Staff deficiency 36.

17) *Failure to specify a set of contingency options for the critical uncertain factors as part of an officially adopted resources acquisition strategy.*

In its next Resource Plan Filing Aquila will provide documentation of the direct relationship between its analysis of the critical uncertain factors and the contingency options.

18) *Failure to create and provide full documentation of a credible process for monitoring the critical uncertain factors and reporting to managers/officers.*

See response to Staff deficiency 37.

Department of Natural Resources:

(11) *Deficiencies in Aquila's process for selecting the preferred resource plan*

See response to OPC deficiency 14.

(12) *Deficiencies in Aquila's application of scenario analysis*

In its next Resource Plan Filing, if scenario analysis is used, Aquila will work with the scenario developers to develop consistent and comprehensive approaches and assumptions for the production cost modeling to be performed and will present information on these approaches and assumptions and their application in sufficient detail to allow the parties to understand how the analysis was done. "Comprehensive", in this response, means that a reasonable effort is made to take all aspects of the scenarios into account including those that are quantified and those that are narrative in form.

(13) Deficiencies in formulating and documenting the implementation and resource acquisition strategy

This issue was resolved through discussions with the other parties and is addressed in the Supplemental Filing, file “revised section 5.5”.

(14) Proposed remedies for deficiencies in formulating contingency options

See response to OPC deficiency 17.

Dogwood Energy, LLC:

(4) Aquila should commit to continued use of RFP's for assessing proposed IRP plans in the future and entering into PPAs to support such plans.

Aquila will conduct analysis of the resource options that result from its 2007 RFP and will document and provide the results to the Signatories by October 31, 2007.

(5) Longer term PPAs, tolling agreements and asset purchases should be explicitly considered as alternatives to Aquila building new capacity itself to make sure that all reasonable options have been considered and thoroughly explored.

Aquila will conduct analysis of the resource options that result from its 2007 RFP and will document and provide the results to the Signatories by October 31, 2007.

(6) Aquila did not adequately consider rate shock in 2010.

Through discussions with the other parties, Aquila further explained that it considered the rate shock that could result from the addition of resources in 2010

and viewed it to be less important than the lowering of the Net Present Value of Revenue Requirements (“NPVRR”) that resulted from the addition of those resources.

(7) *Aquila fails to mention coal prices have a significant effect on its analyses, but mentions other factors that have a similar or lesser effect.*

Through discussions with the other parties, Aquila further explained its selection of critical uncertain factors and the exclusion of coal prices from the list of the most significant factors.

(8) *...it appears that the construction costs and PPA capacity price assumptions used by Aquila for its base case scenario may be too low given current market conditions.*

Aquila will evaluate supply-side resources with updated costs in the evaluation of the 2007 RFP and provide the methodology and the results of the analysis to the Signatories by October 31, 2007.

Filing Schedule and Requirements (4 CSR 240-22.080)

Office of Public Counsel:

19) *Failure to make workpapers and other documentation available to Public Counsel as required by the rule.*

In its next resource plan analysis Aquila and its consultants will preserve workpapers as analysis is performed. In its next Resource Plan Filing, Aquila will make available the documentation in compliance with the rule.

Department of Natural Resources:

(15) *Aquila's failure to request variances in accordance with 4 CSR 240-22.080*

Prior to its next scheduled Resource Plan Filing, Aquila will request variances from any rule requirements with which it will not be able to comply. Aquila will make its best efforts to submit variance requests as soon as Aquila is aware of the necessity of the request. In general, variance requests for 4 CSR 240-22.030, 4 CSR 240-22.040, and 4 CSR 240-22.050 will be submitted twelve to eighteen months in advance of the filing and variance requests for 4 CSR 240-22.060, 4 CSR 240-22.070 and 4 CSR 240-22.080 will be submitted six to nine months in advance of the filing. Variance requests shall include at least one of the following as applicable:

- Cost/benefit analysis of the variance request
- Documentation of Aquila's efforts to meet the rule requirements
- Documentation of why Aquila believes granting a variance would not be detrimental to its resource planning process.

Terms Not Linked to a Specific Section of 4 CSR 240-22

Aquila agrees that if the Commission removes or lessens the requirements of Chapter 22 prior to Aquila's next filing, such changes will not affect the commitments in this Agreement regarding the next filing. The Signatories agree that should future changes to Chapter 22 result in additional or differing requirements, the other Signatories will support Aquila in seeking a variance from the additional or differing requirements for the next filing.

The following language appears in paragraph 11 of the April 4, 2007, Stipulation and Agreement as to Certain Issues (“Demand Side Management (‘DSM’) Program Costs”) in Case No. ER-2007-0004:

“If, in Aquila’s pending integrated resource planning case, Case No. ER-2007-0298, the parties are unable to agree by October 31, 2007, that DSM programs have been appropriately screened, Aquila will continue the current programs with the same funding levels as stipulated to in Case No. ER-2005-0436, until such time as an alternative agreement is reached or disagreements are resolved by the Commission in Case No. ER-2007-0298.”

Not all Signatories agree that Aquila’s DSM programs have been appropriately screened, however, there is a consensus that this Agreement supersedes and satisfies the quoted obligation and Aquila no longer shall be required to continue its current DSM programs at the same funding level ordered in Case No. ER-2005-0436. In that regard, this Agreement provides that, subject to (1) continued review of proposed DSM programs with the Signatories and (2) approval of tariffs to implement such programs, Aquila will continue its current DSM programs as budgeted in Part 3 of its Resource Plan Filing. The Signatories also agree that Aquila will implement cost-effective DSM programs, with the funding goal of one percent of its annual revenues by 2010 as set out in the April 4, 2007, Stipulation and Agreement as to Certain Issues (“Demand Side Management (‘DSM’) Program Costs”) in Case No. ER-2007-0004.

This Agreement does not restrict any Signatory from taking the position of its choice in any Commission case to review the Chapter 22 – Electric Utility Resource Planning rules.

The Signatories agree to hold semi-annual resource planning meetings until Aquila's next Resource Plan Filing is made. The meetings will be open to all the parties in this case, regardless of the fact that they are not signatories to this Agreement. At these meetings, Aquila will provide an update on the incorporation of the terms of this Agreement into its next filing. The meetings will also be used to facilitate discussion and gather input from participants on specific aspects of the Resource Plan Filing process. Other meetings may be scheduled to discuss specific issues.

All actions agreed upon by Aquila are to be completed for the next Resource Plan Filing, unless otherwise stated.

The reference to identified deficiencies in the paragraphs above and Aquila's agreement to take any particular action or to provide any particular analysis in its next filing does not constitute an admission on the part of Aquila that its February 2007 filing contained deficiencies.

The Signatories shall not be deemed to have approved or acquiesced in any question of Commission authority, accounting authority order principle, cost of capital methodology, capital structure, decommissioning methodology, ratemaking principle, valuation methodology, cost of service methodology or determination, depreciation principle or method, rate design methodology, cost allocation, cost recovery, or prudence that may underlie this Agreement, or for which provision is made in this Agreement.

This Agreement represents a negotiated settlement. Except as specified herein, the Signatories to this Agreement shall not be prejudiced, bound by, or in

any way affected by the terms of this Agreement: (a) in any future proceeding other than the next Resource Plan Filing; (b) in any proceeding currently pending under a separate docket; and/or (c) in this proceeding should the Commission decide not to approve this Agreement in this case, or in any way condition its approval of same.

Non-Aquila Signatories do not waive their right to recommend the Commission not approve variance requests of Aquila for its next Resource Plan Filing.

When approved and adopted by the Commission, this Agreement shall constitute a binding agreement among the Signatories. The Signatories shall cooperate in defending the validity and enforceability of this Agreement and the operation of this Agreement according to its terms.

This Agreement does not constitute a contract with the Commission. Acceptance of this Agreement by the Commission shall not be deemed as constituting an agreement on the part of the Commission to forego the use of any discovery, investigative or other power which the Commission presently has. Thus, nothing in this Agreement is intended to impinge or restrict in any manner the exercise by the Commission of any statutory right, including the right to access information, or any statutory obligation.

The provisions of this Agreement have resulted from extensive negotiations among the Signatories and are interdependent. If the Commission does not unconditionally approve this Agreement without modification, and notwithstanding its provision that it shall become void thereon; and the

Signatories shall not be bound, prejudiced, or in any way affected by any of the agreements or provisions hereof, unless otherwise agreed to by the Signatories; and neither this Agreement, nor any matters associated with its consideration by the Commission, shall be considered or argued to be a waiver of the rights that any party has to a hearing on the issues presented by the Agreement, for cross-examination, or for a decision in accordance with Section 536.080 RSMo 2000 or Article V, Section 18 of the Missouri Constitution, and the parties shall retain all procedural and due process rights as fully as though this Agreement had not been presented for approval, and any suggestions, memoranda, testimony or exhibits that have been offered or received in support of this Agreement shall thereupon become privileged as reflecting the substantive content of settlement discussions and shall be stricken from and not be considered as part of the administrative or evidentiary record before the Commission for any further purpose whatsoever, unless otherwise agreed to by the Signatories.

In the event the Commission accepts the specific terms of the Agreement, the Signatories waive their respective rights to cross-examine witnesses; their respective rights to present oral argument and written briefs pursuant to Section 536.080.1 RSMo 2000; their respective rights to the reading of the transcript by the Commission pursuant to Section 536.080.2 RSMo 2000; and their respective rights to judicial review pursuant to Section 386.510 RSMo 2000. This waiver applies only to a Commission order approving the Agreement or other Report and Order approving this Agreement issued in this proceeding, and does not

apply to any matters raised in any subsequent Commission proceeding, or any matters not explicitly addressed by this Agreement.

WHEREFORE, for the foregoing reasons, the Signatories respectfully request that the Commission issue an Order approving the terms and conditions of this Agreement.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the above and foregoing document was electronically transmitted, sent by U.S. Mail, postage prepaid, or hand-delivered, on this 1st day of November, 2007, to:

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