

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

In the Matter of Aquila Network – (MPS)	
and L&P) Purchased Gas Adjustment)	Case No. GR-2006-0297
(PGA) Filing.)	

UNANIMOUS STIPULATION AND AGREEMENT

Come Now Aquila, Inc., d/b/a Aquila Networks – MPS and L&P (Aquila), The Empire District Gas Company (EDG), the Staff of the Commission, and the Office of the Public Counsel (OPC) (collectively the Parties) and for their Stipulation and Agreement (Agreement) to resolve all issues in this case, state as follows:

On January 12, 2006, Aquila filed tariff sheets proposed to become effective January 30, 2006. The tariff sheets were filed to reflect an optional change in Aquila’s Purchased Gas Adjustment (PGA) factors to decrease the PGA rates for all of its territories as a result of the change in the cost of natural gas.

In 2006, EDG purchased Aquila’s gas operations. On April 18, 2006, the Commission issued an Order in Case No. GO-2006-0205, with an effective date of May 1, 2006, in which the Commission approved the sale, transfer, and assignment of the assets and liabilities involved in Aquila’s gas distribution operations in Missouri to EDG and granted EDG a certificate of convenience and necessity. On June 1, 2006, EDG announced it had completed its purchase of Aquila’s Missouri natural gas operations.

On November 3, 2006, EDG filed tariff sheets to reflect a change in PGA (Purchased Gas Adjustment) rates and the filing was docketed as Case No. GR-2006-0297. On January 31, 2007, Aquila filed an Application to Intervene in this case noting: “Aquila continues to have financial interests in and information related to this case, and,

therefore desires to continue to participate in this case.” The Commission granted Aquila’s request to intervene on February 13, 2007.

The Procurement Analysis Department (Staff) reviewed the 2005/2006 Actual Cost Adjustment (ACA) and filed its recommendation on December 17, 2007. The Recommendation included a Memorandum, which set out the results of Staff’s audit of the billed revenues and actual gas costs for the period September 2005 through August 2006, as well as the results of Staff’s examination of gas purchasing practices.

Aquila and EDG each filed their response to Staff’s Recommendation on January 18, 2008. The issues not resolved as a result of those responses all pertain to the Aquila Response to Staff Recommendation, and can be described as follows: paragraph 5 related to Commission approved adjustments prior to the 2005-2006 ACA; paragraphs 7 through 13 related to Staff’s recommended adjustment of (\$322,656) for the Southern System reliability analysis and gas planning related to Aquila’s Setup Spreadsheet; paragraphs 14 through 18 related to Aquila’s documentation for reliability analysis and gas supply planning; and paragraphs 19 through 20 related to Aquila’s methodology for estimating peak day.

The issue of documentation for reliability analysis and gas supply planning is resolved by Aquila’s response which provided clarification of its documentation and by the EDG response, in which EDG agreed to provide information in future ACA reviews.

The issue of Aquila’s methodology for estimating peak day is not being pursued because there is no dollar adjustment associated with this issue. Additionally, any changes associated with such methodology would not be under the control of Aquila because after the 2005/2006 ACA, Empire operates this system.

On January 31, 2008, the Commission ordered a prehearing conference be held on February 19, 2008. During the prehearing conference, the Parties to the case, Aquila, EDG, OPC and Staff reached the following Stipulations and Agreements:

1. EDG shall adjust its balances for “Commission Approved Adjustments prior to 2005-2006 ACA” to \$371 for Southern System, \$0 for Northern System, and (\$5,990) for the Northwest System, as per the Attached Table.

2. For the Southern System reliability analysis and gas planning issue related to Aquila’s Setup Spreadsheet, EDG shall adjust (credit) its balance by \$189,329, as per the Attached Table.

3. EDG shall record all storage injection (commodity) costs as a component of its storage inventory balances for all systems.

4. EDG shall continue to keep abreast of gas market developments and continue to include a review of hedging opportunities more than one year in the future.

5. EDG shall retain the information it used to develop its gas transportation and gas supply plans for future ACA periods and make this information available to the Staff. To the extent spreadsheets or spreadsheet models are developed by EDG as part of this supply planning process EDG shall make such spreadsheets available to the Staff in a fully executable format.

6. EDG shall maintain and provide documentation supporting its monthly usage estimates for supply planning, including data, analyses, and findings/conclusions.

7. EDG shall document the methodology used to estimate usage in winter months (November through March) and usage in the summer months (April through

October) including any changes it makes to its gas purchasing plans and provide this information to Staff.

8. EDG will provide documentation supporting its growth estimates used in its peak day estimates for the winter season.

9. EDG shall consider for future winter planning the potential for both warmer and colder than normal weather in planning its supply portfolio for the upcoming winter seasons. Information supporting EDG plans shall be retained and available for Staff review.

10. EDG agrees to discuss with Staff the safeguards currently employed by EDG to protect the integrity of the spreadsheets or models it uses as part of its natural gas procurement process.

Contingent Waiver of Rights.

11. This Unanimous Stipulation and Agreement is being entered into solely for the purpose of settling all issues in this case as among the Parties. None of the signatories to this Unanimous Stipulation and Agreement shall be deemed to have approved or acquiesced in any ratemaking or procedural principle, including, without limitation, any method of cost determination or cost allocation or revenue related methodology, and none shall be prejudiced or bound in any manner by the terms of this Unanimous Stipulation and Agreement in this or any other proceeding, whether this Unanimous Stipulation and Agreement is approved or not, except as otherwise expressly specified herein.

12. This Unanimous Stipulation and Agreement has resulted from negotiations among the parties, and the terms hereof are interdependent. In the event the Commission

does not unconditionally approve this Unanimous Stipulation and Agreement without modification, then this Unanimous Stipulation and Agreement shall be void and no Party shall be bound by any of the agreements or provisions hereof, except as otherwise provided herein.

13. If the Commission does not unconditionally approve this Unanimous Stipulation and Agreement without modification, and notwithstanding its provision that it shall become void therein, neither this Unanimous Stipulation and 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 for a decision in accordance with §536.080 RSMo 2000 or Article V, Section 18 of the Missouri Constitution, and the Signatory Parties shall retain all procedural and due process rights as fully as though this Unanimous Stipulation and Agreement had not been presented for approval, and any suggestions or memoranda, testimony or exhibits that have been offered or received in support of this Unanimous Stipulation and Agreement shall 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.

14. In the event the Commission accepts the specific terms of this Unanimous Stipulation and Agreement without modification, the Signatory Parties waive their respective rights to call and to cross-examine witnesses pursuant to § 536.070(2); present oral argument and written briefs pursuant to §536.080.1 RSMo 2000; their respective rights to the reading of the transcript by the Commission pursuant to §536.080.2 RSMo 2000; their respective rights to seek rehearing, pursuant to §386.500 RSMo 2000; and

their respective rights to judicial review pursuant to §386.510 RSMo 2000. This waiver applies only to a Commission Order respecting this Unanimous Stipulation and Agreement issued in this proceeding, and does not apply to any matters raised in any other Commission proceeding, or any matters not explicitly addressed by this Unanimous Stipulation and Agreement.

Staff Right to Disclose.

15. The Staff shall file suggestions or a memorandum in support of this Unanimous Stipulation and Agreement. Each of the parties shall be served with a copy of any such suggestions or memorandum and shall be entitled to submit to the Commission, within five (5) days of receipt of Staff's suggestions or memorandum, responsive suggestions or a responsive memorandum which shall also be served on all parties. The contents of any suggestions or memorandum provided by any party are its own and are not acquiesced in or otherwise adopted by the other signatories to this Unanimous Stipulation and Agreement, whether or not the Commission approves and adopts this Unanimous Stipulation and Agreement.

16. At any Commission agenda meeting at which this Unanimous Stipulation and Agreement is noticed to be considered by the Commission, the Staff shall have the right to provide, whatever oral explanation the Commission requests, provided that the Commission and Staff shall, to the extent reasonably practicable, provide the other parties with advance notice of when the Staff shall respond to the Commission's request for such explanation once such explanation is requested from the Staff. The Staff's oral explanation, if provided at a meeting where the advanced notice was less than 5 days, shall be disclosed to all the parties, and to the extent it refers to matters that are either

privileged as a result of participation in settlement discussions, or are protected from disclosure pursuant to any protective order issued in this case the disclosure shall have appropriate protections. If the Staff is not a signatory or non-opposing party, Staff shall have only those rights that are afforded to any other party in a proceeding before the Commission.

No Further Issues.

17. This Unanimous Stipulation and Agreement addresses all issues that have been raised by the Parties in this case.

WHEREFORE the Staff of the Missouri Public Service Commission, Aquila, Inc., d/b/a Aquila Networks – MPS and L&P, The Empire District Gas Company and the Office of the Public Counsel recommend the Commission approve this Unanimous Stipulation and Agreement and order the adjustments as reflected in the table below.

Adjusted Balances for the 2005/2006 ACA, GR-2006-0297

Description (+) Under-recovery (-) Over-recovery	8-31-06 Ending Balances Per Filing	Commission Approved Adjustments Prior to 2005- 2006 ACA	Staff Adjustments For 2005-2006 ACA	Staff Recommended 8-31-06 Ending Balances
South System: Firm ACA	\$2,318,683	\$371 (A)	(\$203,450) (B) (\$189,329) (C)	\$1,926,275
Interruptible ACA	(\$9,563)	\$0	\$9,563 (D)	\$0
Take-or-Pay (TOP)	\$0	\$0		\$0
Transition Cost (TC)	\$0	\$0		\$0
Refund	(\$75,518)	\$0		(\$75,518)
North System: Firm ACA	\$105,488	\$0 (A)	\$83,970 (B)	\$189,458
Interruptible ACA	\$104,100	\$0	(\$104,100) (D)	\$0
Take-or-Pay (TOP)	\$0	\$0		\$0
Transition Cost (TC)	\$0	\$0		\$0
Refund	(\$12,346)	\$0		(\$12,346)
Northwest System: Firm ACA	(\$115,450)	(\$5,990) (A)	\$119,480 (B)	(\$1,960)
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) Remaining prior period adjustments.

B) Hedging re-allocation from South system to North and Northwest systems.

C) Reliability Analysis and Gas Planning, Aquila's Setup Spreadsheet Error.

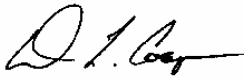
D) All Interruptible ACA balances were eliminated at the close of 2006. This is because there were no Interruptible customers on the Northern and Southern system for several years. EDG's North and South system Interruptible ACA balances are reflected on the November 2007 PGA filing as a zero balance.

Respectfully submitted,

/s/ Jeffrey A. Keevil

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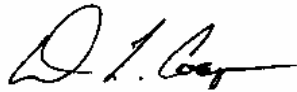
CERTIFICATE OF SERVICE

The undersigned certifies that a true and correct copy of the foregoing document was sent by electronic mail on February 26, 2008, to the following:

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