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November 14, 2003

Secretary
Public Service Commission
P. O. Box 360
Jefferson City, MO 65102

RE: Case No. GR-2003-0311

Dear Sir:

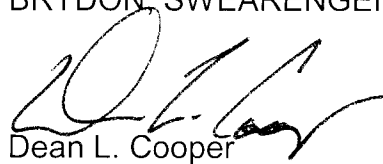
Provided in electronic format for filing in the above-referenced proceeding, please find a Response to Order Directing Filing filed on behalf of Aquila, Inc. d/b/a Aquila Networks - MPS.

If you have any questions concerning this matter, then please do not hesitate to contact me. Thank you very much for your attention to this matter.

Sincerely,

BRYDON, SWEARENGEN & ENGLAND P.C.

By:


Dean L. Cooper

DLC/jar
Enclosure
cc: Douglas Micheel
Robert Franson

NP

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

In the Matter of Aquila Inc. d/b/a)	
Aquila Networks – Missouri Public Services’)	<u>Case No. GR-2003-0311</u>
Purchased Gas Factors to be Reviewed)	Tariff No. YG-2004-0621
in its 2002-2003 Actual Cost Adjustment)	

RESPONSE TO ORDER DIRECTING FILING

COMES NOW Aquila, Inc. d/b/a Aquila Networks - MPS (“Aquila” or the “Company”), and, states as follows in response to the Missouri Public Service Commission’s (“Commission”) Order Directing Filing:

1. On November 3, 2003, Aquila filed a PGA tariff revision with an effective date of November 17, in accordance with the process established by Aquila’s previously approved tariff sheets. On November 7, the Commission Staff (“Staff”) filed its recommendation indicating that the PGA filing was calculated in conformance with Aquila’s PGA clause and recommending that the Commission approve the proposed tariff.

2. On November 13, 2003, the Commission issued its Order Directing Filing, wherein the Commission directed its Staff to file “no later than 9:00 a.m. on November 14, 2003, . . . a pleading explaining why the PGA factor for Aquila Inc. d/b/a Aquila Networks – Missouri Public Service’s Eastern System has increased while the PGA factors for the company’s other two systems have decreased.” The Commission also stated that “Staff should also explain why the PGA factor for the Eastern System is so much higher than the PGA factors for the other two systems.”

3. The Commission further stated that any party wishing to address the identified issues could do so by filing a timely pleading.

NP

4. Aquila believes that the subject questions must be addressed within the following context:

a. The relatively high cost of gas on the MPS Eastern System has been an issue for some time. The gas transported to the towns of Rolla, Salem and Owensville must be transported across the Panhandle Eastern pipeline (interstate) and two Gateway pipelines (intrastate). The cost to move gas across the Gateway pipelines is approximately \$*.** per Mcf, a cost that is not paid on the other MPS systems (identified in the below chart as “MPC Transportation” and “MGC Transportation”). The commodity cost for the Eastern System is actually very similar to MPS’s Northern and Southern systems. The transportation charges for these pipelines are shown below, and are taken from the current PGA filing.

Components of MPS Proposed Gas Costs (per Mcf)			
	East	North	South
Pipeline Charges	\$*.****	\$*.****	\$*.****
MPC Transportation	\$*.****	-0-	-0-
MGC Transportation	<u>\$*.****</u>	-0-	-0-
Total Transportation	\$*.****	\$*.****	\$*.****
Spot Market Purchases	\$5.8616	\$5.0624	\$5.2926
Refunds	<u>-0-</u>	<u>\$(0.0144)</u>	<u>\$(0.0158)</u>
ACA	<u>\$0.9190</u>	<u>\$0.3969</u>	<u>\$0.2135</u>
Total Proposed Gas Cost	<u>\$11.1849</u>	<u>\$6.9065</u>	<u>\$6.4646</u>

b. The price differential between systems has been fairly constant over the last four years. On average, over the last 12 filings, the Eastern System has been \$3.10 per Mcf higher in price than the Northern System and \$3.50 Mcf higher in price than the Southern System. The graph attached hereto as Appendix A shows the approved gas prices for each system since November 1999.

c. If the Commission does not approve the proposed rates an under-recovery of costs is almost certain. This under-recovery will remain in the ACA account on a going forward basis. Thus, recovery will not be avoided, but merely postponed, likely leading to an even higher gas cost

next winter and the payment of the majority of this winter's costs by next winter's customers. Further, this under-recovery will increase Aquila's cash working capital requirement.

d. Commission approval of the gas costs in this filing does not preclude future disallowances. The ACA review process protects ratepayers by requiring Staff to track and review these costs on an annual basis. If the Staff determines that the Company has not acted prudently, disallowances with interest are available in certain circumstances to protect the ratepayers. Further, as indicated by Aquila's tariffs and the Staff's recommendation, the Commission's decision here does not constitute final approval. The Commission is being asked to approve the rates on an interim basis, subject to refund.

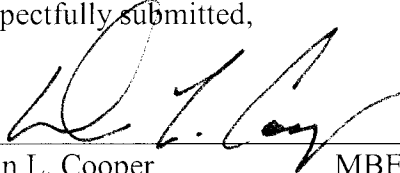
e. The Company's gas purchasing plan for this winter was presented to Staff in April, 2003. Thus, the purchasing plan and execution strategies have been disclosed and discussed.

f. It should also be noted that Aquila will file a joint application with Union Electric Company d/b/a AmerenUE in the near future asking for approval to sell this system to AmerenUE.

5. Lastly, it has been indicated by the Staff that Aquila's filing herein has been made in accordance with approved and effective Aquila tariff sheets. "A tariff that has been approved by the Public Service Commission becomes Missouri law and has the same force and effect as a statute enacted by the legislature." *Bauer v. Southwestern Bell Telephone Company*, 958 S.W.2d 568, 570 (Mo. App. 1997). Aquila asks that the Commission act in accordance with the process established by its approved tariff sheets and allow the proposed rates to go into effect on an interim basis, subject to refund.

WHEREFORE, Aquila respectfully requests that the Commission approved the subject tariff sheets, interim subject to refund.

Respectfully submitted,



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ATTORNEYS FOR AQUILA, INC. D/B/A
AQUILA NETWORKS - MPS

CERTIFICATE OF SERVICE

The undersigned certifies that a true and correct copy of the foregoing document was hand-delivered or sent by U.S. Mail, postage prepaid, on November 14, 2003, to the following:

Mr. Robert Franson
Office of the General Counsel
Governor Office Building, 8th Floor
Jefferson City, Mo 65101

Mr. Douglas Micheel
Office of the Public Counsel
Governor Office Building, 6th Floor
Jefferson City, MO 65101

