

MEMORANDUM

TO: Missouri Public Service Commission Official Case File
Case No. HR-2007-0028, File No. YH-2007-0486
Aquila, Inc. d/b/a Aquila Networks – L&P

FROM: James Watkins, Manager, Economic Analysis, Project Coordinator
Mack McDuffey, Rate & Tariff Examiner II

/s/ James Watkins 02/13/07 /s/ Robert V. Franson 02/13/07
Energy Department / Date General Counsel's Office / Date

SUBJECT: Staff Recommendation For **Approval** of Tariff Sheet to add the quarterly cost adjustment for 2006 Q4 to its Quarterly Cost Adjustment Rider

DATE: February 15, 2007

On January 16, 2007, Aquila, Inc. d/b/a Aquila Networks – L&P (Aquila or Company) of Kansas City, Missouri, filed with the Commission one (1) tariff sheet with a proposed effective date of March 1, 2007 to add the quarterly cost adjustment for the fourth quarter of 2006 as required by Company's Quarterly Cost Adjustment Rider, which was approved in Case No. HR-2005-0450. The Commission has assigned Case No. HR-2007-0028 for the filings during this initial audit period and any subsequent prudence review and true-up of revenues collected. Aquila's filing included workpapers consisting of two worksheets showing its calculation of the quarterly cost adjustment for the fourth quarter of 2006.

The Commission's Energy Department Staff (Staff) has reviewed the proposed tariff sheet based on the Company's workpapers and is of the opinion that the quarterly cost adjustment for 2006 Q4 has been calculated in accordance with the provisions of the Quarterly Cost Adjustment Rider. The Staff therefore recommends that the Commission issue an order approving the following proposed tariff sheet, as filed on January 16, 2007, to become effective on March 1, 2007, as requested by Aquila, or permit the tariff sheet to go into effect by operation-of-law:

P.S.C. MO. No. 1

3rd Revised Sheet No. 6.5 Canceling 2nd Revised Sheet No. 6.5

The Staff has verified that this Company is not delinquent on any assessment or the filing of its annual report. The Staff is not aware of any other matter pending before the Commission that affects or is affected by this tariff filing.