



Commissioners
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Missouri Public Service Commission

POST OFFICE BOX 360
JEFFERSON CITY, MISSOURI 65102
573-751-3234
573-751-1847 (Fax Number)
<http://www.psc.state.mo.us>

April 15, 2002

ROBERT J. QUINN, JR.
Executive Director
WESS A. HENDERSON
Director, Utility Operations
ROBERT SCHALLENBERG
Director, Utility Services
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Director, Administration
DALE HARDY ROBERTS
Secretary/Chief Regulatory Law Judge
DANA K. JOYCE
General Counsel

Mr. Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge
Missouri Public Service Commission
P. O. Box 360
Jefferson City, MO 65102

RE: Case No. GR-2002-392

Dear Mr. Roberts:

Enclosed for filing in the above-captioned case are an original and eight (8) conformed copies of a **STAFF RECOMMENDATION**.

This filing has been mailed or hand-delivered this date to all counsel of record.

Thank you for your attention to this matter.

Sincerely yours,

A handwritten signature in cursive script that reads "Thomas R. Schwarz, Jr.".

Thomas R. Schwarz, Jr.
Deputy General Counsel
(573) 751-5239
(573) 751-9285 (Fax)

TRS:sw
Enclosure
cc: Counsel of Record

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

In the Matter of Aquila Networks - MP's)
Purchased Gas Adjustment Factors to be)
Reviewed in its 2001-2002 Actual Cost)
Adjustment.)

Case No. GR-2002-392

STAFF RECOMMENDATION

COMES NOW the Staff ("Staff") of the Missouri Public Service Commission ("Commission") and for its recommendation in the above-captioned matter states as follows:

1. Aquila, Inc., d/b/a Aquila Networks – MPS (MPS) filed tariff sheets and a motion for waiver on April 4, 2002. MPS proposes to decrease its Purchased Gas Adjustment ("PGA") factor for service provided on and after April 18, 2002 in its Northern and Southern Systems, and has asked for waiver of the requirement that it file a summer PGA factor for its Eastern System.

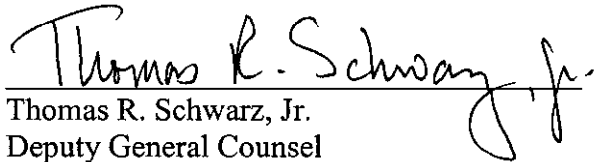
2 Staff has reviewed the tariff and has found that the filing complies with the provisions of MPS's tariffs for summer PGA filings. Staff finds that good cause has been shown for making the tariff effective on less than thirty days notice, as reflected by the provision for a ten day effective date in MPS's tariff. Staff also recommends approval of the waiver sought for the Eastern System. See the Staff Memorandum attached hereto as Attachment A.

3. Staff emphasizes that it has not audited the books and records of MPS, and that it will conduct a thorough review of MPS's gas purchases during the Actual Cost Adjustment audit.

WHEREFORE, Staff recommends that the rates proposed by MPS be approved, effective for service on and after April 18, 2002, and that these rates remain interim, subject to refund. Staff also recommends that the Commission grant MPS's motion for waiver or variance.

Respectfully submitted,

DANA K. JOYCE
General Counsel

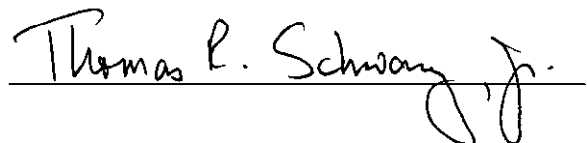


Thomas R. Schwarz, Jr.
Deputy General Counsel
Missouri Bar No. 29645

Attorney for the Staff of the
Missouri Public Service Commission
P. O. Box 360
Jefferson City, MO 65102
(573) 751-5239 (Telephone)
(573) 751-9285 (Fax)
E-mail: tschwarz@mail.state.mo.us

Certificate of Service

I hereby certify that copies of the foregoing have been mailed or hand-delivered to all counsel of record as shown on the attached service list this 15th day of April, 2002.



MEMORANDUM

TO: Missouri Public Service Commission Official Case File,
Case No. GR-2002-392, File No. 200200855,
Aquila, Inc., d/b/a Aquila Networks - MPS

FROM: *Jay Westfall*
James A. Gray, Energy Department - Tariffs/Rate Design

Wanda J. Ward 4-15-02
Energy Department/Date

Thomas R. Schwan, Jr. 4/15/02
General Counsel's Office/Date

SUBJECT: Staff Recommendation on Aquila, Inc., d/b/a Aquila Networks – MPS' Summer PGA Rate Filing Effective April 18, 2002 for the Northern and Southern Systems and a One-time Waiver to forgo a Summer PGA Rate Change for the Eastern System.

DATE: April 15, 2002

On April 4, 2002, Aquila, Inc. d/b/a Aquila Networks - MPS (MPS) of Kansas City, Missouri, filed tariff sheets proposed to become effective April 18, 2002. On April 12, 2002, MPS filed a substitute tariff sheet to incorporate changes suggested by the Commission's Energy Department - Tariffs/Rate Design Staff (Staff). The tariff sheets for MPS' Northern and Southern Systems were filed to reflect scheduled changes in MPS's Purchased Gas Adjustment (PGA) factors as the result of estimated changes in the cost of natural gas for the upcoming summer season. The summer season includes the months of April through October. The tariff sheet for MPS' Eastern System proposes to correct a mathematical error in the Large Volume Interruptible (LVI) rate. Currently no customers are receiving service under the LVI rate. In conjunction with the tariff changes MPS filed a MOTION FOR WAIVER AND/OR VARIANCE CONCERNING SUMMER PGA FILING FOR THE EASTERN SYSTEM (Motion). MPS requests a one-time waiver from its Tariff Sheet No. 34 and 35 requirements to file a 2002 Summer Season PGA for the Eastern System.

MPS very recently filed an Unscheduled Winter Season PGA for the Eastern System with those rates going into effect on March 11, 2002. MPS has a significant under recovery of its Deferred Carrying Cost Balance (DCCB). Under MPS's Motion, the current PGA rates for MPS' Eastern System would remain the same. MPS' authorized firm PGA rate for the Eastern System (serving communities such as Rolla and Owensville) is \$.90992 per Ccf.

For the Northern System (serving communities such as Chillicothe and Trenton), the effect of the PGA change will decrease the PGA factor for the summer season to \$0.47671 per Ccf from a scheduled 2001-2002 winter season PGA factor of \$0.67395 per Ccf. The PGA factor would decrease by 29% under this proposal. When compared to current rates, the effect of the proposed decrease on a typical residential customer's bill for the summer season is a decrease of \$61.54 or 18%.

For the Southern System (serving communities such as Sedalia and Clinton), the effect of the PGA change will decrease the PGA factor for the summer season to \$0.62609 per hundred cubic feet (Ccf) from a scheduled 2001-2002 winter season PGA factor of \$0.65449 per Ccf. The PGA factor would decrease by 4% under this proposal. When compared to current rates, the effect of the proposed decrease on a typical residential customer's bill for the summer season is a decrease of \$8.85 or 3%.

Case No. GR-2002-392, under which this PGA change was filed, was established to track the Company's PGA factors to be reviewed in its 2001-2002 ACA filing. Case Nos. GR-2001-461, GR-2000-520, and GR-99-435 were established to track the Company's PGA factors to be reviewed in its 2000-2001, 1999-2000, and 1998-1999 Actual Cost Adjustment (ACA) filings, respectively. Interim subject to refund status should be maintained pending final Commission decisions in Case Nos. GR-99-435, GR-2000-520, GR-2001-461, and GR-2002-392.

The Staff has verified that this company has filed its annual report and is not delinquent on any assessment. Staff is not aware of any other matter before the Commission that affects or is affected by this filing; however, the following Cases Nos. are pending before the Commission:

Missouri Public Service

GO-2002-452
EO-2002-384
GR-99-435
GR-2000-520
GR-2001-461

Aquila Networks – MPS

EO-2002-450

Staff has reviewed the PGA filing for the Southern and Northern Systems and has determined that this filing was calculated in conformance with SJLP's Commission approved PGA Clause. Additionally, Staff has reviewed the Motion and recommends the Commission grant the one-time waiver as requested by the Company on April 4, 2002. Staff is of the opinion that good cause for approval of the tariff sheet on less than thirty days notice is demonstrated by SJLP's Commission approved PGA clause allowing for ten (10) business days notice for PGA change filings. Therefore, Staff recommends the Commission approve the following tariff sheets, as filed on March 29, 2002, and as substituted on April 12, 2002, to become effective April 18, 2002, interim subject to refund:

P.S.C. MO. No. 5

24th Revised Sheet No. 43, canceling 23rd Revised Sheet No. 43
27th Revised Sheet No. 44, canceling 26th Revised Sheet No. 44
18th Revised Sheet No. 44.1, canceling 17th Revised Sheet No. 44.1

Copies: Director - Utility Operations Division
 Director - Utility Services Division
 General Counsel
 Manager - Financial Analysis Department
 Manager - Procurement Analysis Department
 Manager - Energy Department
 Karen S. Russell – Director of Rate Administration (Aquila)
 Amy Winkler - Regulatory Analyst (Aquila)
 Dean L. Cooper- Attorney for MPS (Brydon Swearengen & England, PC)
 Office of the Public Counsel

Service List for
Case No. GR-2002-392
Revised: April 15, 2002 (SW)

Office of the Public Counsel
P.O. Box 7800
Jefferson City, MO 65102

Amy Winkler
UtiliCorp United
7101 Mercy Road, Suite 400
Omaha, NE 68106