

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

In the Matter of Aquila, Inc.'s Electric Tariff Sheets)	
Filing Designed to Remove Limitations On Metering)	
Loss Adjustments For Large General Service and)	
Large Power Service Customers of Aquila, Inc. d/b/a)	Case No. ET-2006-_____
Aquila Networks – L&P.)	

STAFF'S RECOMMENDATION TO NOT APPROVE TARIFF SHEETS

COMES NOW the Staff of the Missouri Public Service Commission (Staff) and, for its Recommendation the Commission not approve two Electric Tariff Sheets Aquila, Inc. filed on May 19, 2006 states:

1. In the attached Memorandum, which is labeled Appendix A, the Staff recommends the Missouri Public Service Commission not approve the two tariff sheets Aquila, Inc. filed on May 19, 2006 that Aquila designed to remove limitations on metering loss adjustments for Large General Service and Large Power Service customers of Aquila, Inc. d/b/a Aquila Networks – L&P.

2. For some time the rate schedules for Large General Service and Large Power Service customers in the area now served by Aquila, Inc. d/b/a Aquila Networks – L&P have been designed primarily for customers taking service at secondary voltages. When billing those customers in these two classes who are taking service at primary voltages rather than at secondary voltages, tariff factors are applied so their bill is generated from secondary rates, but reflects primary service discounts.

3. In Aquila's last class cost-of-service / rate design case, Case No. EO-2002-384 Aquila proposed to create separate rate schedules for secondary voltage and primary voltage

customers in each of these two customer classes in Aquila's Aquila Networks – L&P service area. As part of that proposal Aquila included the following limitations on metering loss adjustments for Large General Service and Large Power Service customers of Aquila, Inc. d/b/a Aquila Networks – L&P:

This adjustment only applies to customers served at secondary voltage.

This Metering Loss Adjustment is not available for new installations after March 1, 2006.

4. In Aquila's last general electric rate case, Case No. ER-2005-0436, the Commission, by Order dated February 23, 2006 and effective March 1, 2006, approved a Stipulation and Agreement which included illustrative tariff sheets containing the foregoing metering loss adjustments limitations for the Large General Service and Large Power Service customers of Aquila, Inc. d/b/a Aquila Networks – L&P, but did not create separate rate schedules for those customers based on whether they take service at secondary or primary voltages. On February 24, 2006 Aquila filed tariff sheets that conformed to the illustrative tariff sheets; on February 28, 2006 the Staff filed its recommendation they be approved; and on February 28, 2006 the Commission approved the tariff sheets, making them effective March 1, 2006.

5. In the cover letter accompanying the two tariff sheets Aquila has filed to eliminate limitations on metering loss adjustments for Large General Service and Large Power Service customers of Aquila, Inc. d/b/a Aquila Networks – L&P, among other things, Aquila states, "Aquila believes that the parties did not intend to eliminate the energy discount for these customers [in Case No. ER-2005-0436] and that this unintended consequence makes inclusion of the subject language a mistake." The Staff does not know what consequences other parties intended; however, including the limitations on metering loss adjustments for Large General

Service and Large Power Service customers in the tariff of Aquila, Inc. d/b/a Aquila Networks – L&P was both negotiated and intentional.

6. The Staff generally does not oppose adjustments for metering losses; however, Aquila is attempting with these two tariff sheets to modify negotiated terms of the Stipulation and Agreement the Commission approved by its Order issued February 23, 2006 and made effective March 1, 2006. Further, eliminating these limitations on metering loss adjustments would affect Aquila's rates and revenues, and, therefore, these tariff changes should not be made outside of a general rate case where all relevant factors are considered.

7. The Staff anticipates Aquila will file a general electric rate case in Missouri shortly after the electric rate case filing moratorium of the Stipulation and Agreement in Case No. ER-2005-0436 expires on July 1, 2006. Aquila may more properly raise the issue of the limitations on metering loss adjustments then.

WHEREFORE, the Staff of the Missouri Public Service Commission recommends the Commission not approve the two Electric Tariff Sheets Aquila, Inc. filed on May 19, 2006, and bearing an effective date of June 19, 2006, that are designed to remove limitations on metering loss adjustments for Large General Service and Large Power Service customers of Aquila, Inc. d/b/a Aquila Networks – L&P, to wit:

P.S.C. MO. No. 1
2nd Revised Sheet No. 30, Canceling 1st Revised Sheet No. 30
2nd Revised Sheet No. 33, Canceling 1st Revised Sheet No. 33.

Respectfully submitted,

/s/ Nathan Williams _____

Nathan Williams

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Missouri Bar No. 35512

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Missouri Public Service Commission

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Certificate of Service

I hereby certify that copies of the foregoing have been mailed, hand-delivered, transmitted by facsimile or emailed to all counsel of record this 12th day of June, 2006.

/s/ Nathan Williams _____

MEMORANDUM

TO: Missouri Public Service Commission Official Case File
Case No. ET-2006- , File No. JE-2006-0865
Aquila, Inc. d/b/a Aquila Networks – L&P

FROM: Mack McDuffey, Rate & Tariff Examiner II
Dan Beck, Utility Regulatory Engineering Supervisor
Janice Pyatte, Regulatory Economist III

/s/ Lena M. Mantle 06/12/06
Energy Department / Date

/s/ Nathan Williams 06/12/06
General Counsel's Office / Date

SUBJECT: Staff Recommendation To **Not Approve** Tariff Sheets Filed To Remove Limitations
On Metering Loss Adjustment for Large General Service (LGS) and Large Power
Service (LPS):

DATE: June 12, 2006

On May 19, 2006, Aquila, Inc., d/b/a Aquila Networks – L&P (Aquila or Company) of Kansas City, Missouri filed with the Commission two (2) tariff sheets with a proposed effective date of June 19, 2006.

With this filing Aquila proposes to remove the following two limitations located in the Aquila Networks – L&P tariff in the Metering Loss Adjustment sections of the rate schedules for Large General Service (LGS) and Large Power Service (LPS):

This adjustment only applies to customers served at secondary voltage.

This Metering Loss Adjustment is not available for new installations after March 1, 2006.

For some time the Large General Service and Large Power rate schedules that have applied to customers now served by Aquila Networks – L&P have been designed primarily for customers taking service at secondary voltages. To arrive at rates for customers taking service at primary voltages, adjustment factors are applied so that the resulting bill uses the secondary rates but reflects the primary service discounts. In Aquila's last class cost-of-service and rate design case before this Commission, Case No. EO-2002-0384, among other things, Aquila proposed establishing separate rate schedules for customers being served at primary and secondary voltages in the Large General Service and Large Power classes and submitted the foregoing limitations in direct testimony as part of that proposal. The specimen tariff changes that would have implemented Aquila's proposal to create additional rate schedules for these primary customers are in Schedule JMT-3 of the Direct Testimony of J. Matt Tracy (Exhibit 1)¹, which the Staff opposed. After extensive negotiations in Aquila's following general electric rate case, Case No. ER-2005-0436, the parties ultimately agreed not to add additional rate schedules for primary service to Large General Service and Large Power customers; however, the limitations in the current Aquila Networks – L&P tariff that Aquila

¹ Schedule JMT-3, Specimen Tariff, P.S.C. MO. No. 1, Original Sheet No. 11 and Specimen Tariff, P.S.C. MO. No. 1, Original Sheet No. 15.

proposes to eliminate here were included in the illustrative tariff sheets made a part of the Stipulation and Agreement the Commission approved in Case No. ER-2005-0436 and in the conforming tariff sheets Aquila filed and the Commission approved.

As stated above, with this 30-day plus, non-rate case filing, Aquila proposes to remove the limitations. In the cover letter accompanying the submitted tariff changes, Aquila states the following:

Filed through EFIS are the following **electric** tariff sheets for filing on behalf of Aquila, Inc., d/b/a Aquila Networks – L&P (“L&P”). The purpose of the filing is to remove limitations on the Metering Loss Adjustment, so that it can continue to be applied to Large General Service and Large Power Service customers.

Failure to remove the language will eliminate the energy discounts for Large General Service (Rate MO940) and Large Power Service (Rate MO944) customers in the L&P territory that are served at higher than secondary voltage. There are approximately 25 existing customers that would fit into this category. Elimination of the adjustment would increase the charges these customers would otherwise pay by 1.5%, 2.5%, or 3.0%, depending on their voltage service.

The existing tariff sheets became effective on March 1, 2006, as a result of the Commission’s decision in Case No. ER-2005-0436. Aquila believes that the parties did not intend to eliminate the energy discount for these customers and that this unintended consequence makes inclusion of the subject language a mistake.

The proposed tariff sheets, listed below, have an effective date of June 19, 2006.

The Missouri Public Service Commission Energy Department Staff (Staff) declines to speculate as to what consequences other parties may have intended; however, the Staff disagrees with Aquila that inclusion of the subject language in the illustrative tariffs of Aquila’s last general electric rate case was a mistake. On the contrary, inclusion of that language was both negotiated and intentional.

The Staff has reviewed this filing. While the Staff generally does not oppose adjustments for metering losses, with this filing Aquila is attempting to modify negotiated terms of the Stipulation and Agreement the Commission approved by its Order issued February 23, 2006 and made effective March 1, 2006. Further, these tariff changes would affect Aquila’s rates and revenues; therefore, based on advice from legal counsel, the Staff believes approval of these tariff changes would not be appropriate outside the context of a general rate case. It is the Staff’s position the proper time and place to consider tariff changes that impact rates and revenues is in Aquila’s next general electric rate case where all relevant factors are to be considered. It should be noted that the approved Stipulation and Agreement requires that for the next rate case, “no Signatory Party will seek any interclass revenue responsibility shifts and any rate change that may result in that case will be implemented on an equal percentage basis.” The Staff believes that the two limitations could be addressed in Aquila’s next general rate case.

The Staff recommends NOT approving the following tariff sheets, as filed on May 19, 2006, and DENYING they go into effect for service on and after June 19, 2006, the requested effective date:

P.S.C. MO. No. 1
2nd Revised Sheet No. 30, Canceling 1st Revised Sheet No. 30
2nd Revised Sheet No. 33, Canceling 1st Revised Sheet No. 33

Because this filing was made on thirty (30) days or greater notice, no order is necessary to indicate approval but an order is requested from the Commission to deny the Company's proposed tariff sheets from going into effect by operation of law. During the filing period, the Staff advised Aquila of the Staff's position and gave it the opportunity to withdraw this filing. However, Aquila chose not to withdraw the tariff sheets. At an absolute minimum, the Commission should suspend Aquila's tariff sheets.

The Staff has verified that this Company has filed its 2005 annual report and is not delinquent on any assessment. The Staff is not aware of any other matter before the Commission that affects or is affected by this filing.

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


In the matter of Aquila, Inc.'s Electric)
Tariff Sheets Filing Designed to Remove)
Limitations on Metering Loss)
Adjustments For Large General Service)
and Large Power Service Customers of)
Aquila, Inc. d/b/a Aquila Networks-L&P.)

Case No. ET-2006-xxxx
JE-2006-0865

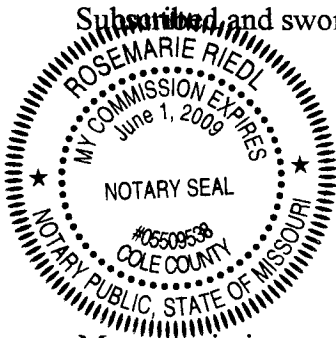
AFFIDAVIT OF WILLIAM L. MCDUFFEY

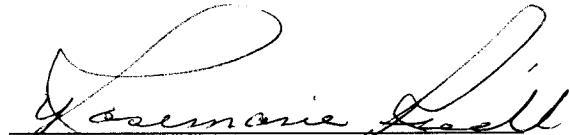
STATE OF MISSOURI)
) ss
COUNTY OF COLE)

William L. McDuffey, of lawful age, on oath states: that he participated in the preparation of the foregoing Staff Recommendation in memorandum form, to be presented in the above case; that the information in the Staff Recommendation was given by him; that he has knowledge of the matters set forth in such Staff Recommendation; and that such matters are true to the best of his knowledge and belief.


William L. McDuffey

Subscribed and sworn to before me this 12th day of June, 2006.




Notary Public

My commission expires June 1, 2009