

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

In the Matter of the Tariff Filing of Aquila,)	
Inc. d/b/a Aquila Networks – L&P to Remove)	Case No. <u>ET-2006-0466</u>
Limitations on the Metering Loss Adjustment.)	<u>JE-2006-0865</u>

**RESPONSE TO STAFF RECOMMENDATION
AND PUBLIC COUNSEL MOTION TO REJECT OR SUSPEND**

COMES NOW Aquila, Inc. (“Aquila”), and, in response to certain pleadings concerning Aquila’s proposed tariff sheets states as follows to the Missouri Public Service Commission’s (Commission):

INTRODUCTION

1. On May 19, 2006, Aquila filed two tariff sheets designed to remove limitations on the Metering Loss Adjustment as it applies to the L&P service territory. Aquila explained that failure to remove the language may 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 for these customers would increase the charges these customers would otherwise pay by 1.5%, 2.5% or 3.0%, depending on their voltage service. Aquila further believes that failure to approve these tariffs will result in annual revenues for Aquila of about \$250,000 more than that intended by the settlement in Case No. ER-2005-0436, that became effective on March 1, 2006.

2. On June 13, 2006, the Staff filed its Recommendation to Not Approve Tariff Sheets and the Office of the Public Counsel filed its Motion to Reject Tariff or, in the Alternative, Motion to Suspend Tariff. Aquila will respond to these pleadings in the following paragraphs.

STAFF RECOMMENDATION

3. Staff indicated that it believed the elimination of the Metering Loss Adjustment was intended by the parties to Case No. ER-2005-0436 and that eliminating these limitations “should not be made outside of a general rate case where all relevant factors are considered” (Staff Rec., para. 6).

4. It is hard to determine a clear intent by looking at the existing 1st Revised Sheet No. 30 (Large General Service) and 1st Revised Sheet No. 33 (Large Power Service) (copies attached hereto). The introduction to the “Metering Loss Adjustment” sections indicates that:

Where service is metered at a voltage level other than secondary, an adjustment to both kilowatt hour (kWh) and kilowatt (kW) readings will be made as follows . .

.
(emphasis added).

5. The sentence Aquila is attempting to eliminate states as follows:

This adjustment only applies to customers served at secondary voltage.

(emphasis added).

6. These two provisions are absolutely inconsistent. The Metering Loss Adjustment cannot both apply to customers with voltage “other than secondary” and “only” “customers served at secondary voltage.” If the parties’ intent was to eliminate the metering loss adjustment, the whole section would be eliminated. It was not. It is unclear from the existing language what result Staff refers to as being “negotiated and intentional.”

7. This is further supported by the Nonunanimous Stipulation and Agreement (Stipulation) and the Staff Suggestions in Support of Nonunanimous Stipulation and Agreement (Staff Suggestions) in Case No. ER-2005-0436. Paragraph 3 of the Stipulation contains the rate

design aspects of the Stipulation and specifically identifies the revenue neutral, interclass revenue responsibility shifts being made in the case. The percentages are not consistent with an elimination of the metering loss adjustment. Specifically, paragraph 3 states that the L&P large power service rates were *decreased* by 4.00%. The elimination of the metering loss adjustment would bring about rates greater than the agreed to 4.00% decrease.

8. The Staff Suggestions includes the same decrease numbers as the Stipulation and states that because the “large customers of both Aquila Networks—MPS and Aquila Networks—L&P are paying too much in relation to cost to serve these customer classes, the Staff supports these interclass responsibility shifts” (Staff Suggestions, para. 11). Additionally, Staff’s Suggestions does not make any mention of an intended elimination of the metering loss adjustment, even though it explicitly lists nine rate design changes.

9. Further, Staff’s concern that rates and revenues may be changed outside a rate case is not applicable to this situation. First, Aquila’s proposal will merely conform its filed rates to those revenue levels intended by the settlement in Case No. ER-2005-0436. Secondly, in this case, the adjustment will go against Aquila, the proposing party. Therefore, the only party that might be “harmed” by such action, Aquila, has waived any objection.

10. Lastly, the Staff states that it anticipates that Aquila will file a general electric rate case in Missouri sometime after its moratorium expires on July 1, 2006, and suggests that Aquila may raise the issue of the metering loss adjustment limitations at that time. Unfortunately, this option does not appear to be available. The Stipulation and Agreement in Case No. ER-2005-0436 states in relevant part that “in Aquila’s next general electric 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” (Case No. ER-2005-0436, Stipulation

and Agreement, para. 3). Thus, if Staff is correct and the conflicting metering loss adjustment statements were intended by the parties, Aquila will be unable to propose any change to this language in its next rate case.

PUBLIC COUNSEL MOTIONS

11. Public Counsel states that it will only agree to the proposed changes if “Aquila agrees that it will impute the revenues it seeks to forego under the proposed tariffs” for purposes of its next rate case (OPC Motions, para. 7). From Aquila’s perspective, there is nothing to impute. Elimination of the subject language will merely return Aquila’s rate levels to those levels intended as a result of Case No. ER-2005-0436. Public Counsel appears to be seeking a rate design advantage through the increased payments that would be required of Aquila’s 25 Large General Service and Large Power Service customers in the L&P service area. Aquila sees no need to agree to impute revenue based upon the elimination of unintended revenue.

12. The Public Counsel also raises the argument concerning the fact that this is a revenue change “outside of a general rate case.” As stated above, Aquila believes that its agreement with the proposed change, a change that goes against the Company, should waive any objection it might otherwise have.

WHEREFORE, Aquila respectfully requests that the Commission deny the pending Motion to Reject Tariff and the Motion to Suspend Tariff and allow the subject tariff sheets to

become effective.

Respectfully Submitted,

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ATTORNEYS FOR AQUILA, INC.

Certificate of Service

I hereby certify that two, true and correct copies of the above and foregoing document was sent by electronic mail on this 14th day of June, 2006, to the following and to the parties to Case No. ER-2005-0436:

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