

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

In the Matter of an Investigation of)	
Aquila Inc.'s Storm Preparation and)	Case No. EO-2008-0220
Restoration Efforts)	

INITIAL REPORT OF STAFF

COMES NOW the Staff of the Missouri Public Service Commission (Commission) and for its Initial Report states as follows:

1. On January 2, 2008, the Commission issued its *Order Directing Staff To Investigate Aquila's Storm Preparation And Restoration Efforts And Setting An Intervention Deadline* (Order). In its Order, the Commission directed Staff to investigate the effectiveness of Aquila Inc.'s (Aquila or Company) storm preparation and power restoration efforts regarding the ice storms of December 2007 and to file an initial report regarding the results of its investigation no later than April 3, 2008. Accordingly, the Staff submits its Initial Report to the Commission, attached hereto as Appendix A and incorporated by reference herein.

2. The Commission's Order set a deadline of January 22, 2008 for any interested party to file an application to intervene in this matter. No party has requested intervention.

3. On January 8, 2008, the Staff initiated its investigation in a Letter sent to the Company signed by the Commission's Executive Director. Staff's Letter (attached hereto as Appendix B, with supporting Attachment 1, and incorporated by reference), requested certain information from the Company and outlined how Staff intends to proceed in its investigation of twelve separate operational areas. (See Attachment 1 to Staff's Letter to Company).

4. Staff's Initial Report is a broad overview and summary of the progress made to date using information on twelve operational areas provided by the Company. As this Report is a work in progress, the Staff provides no conclusions or recommendations at this time. Staff will provide these in its Final Report to be filed no later than June 17, 2008.

5. Aquila provided information in response to Staff's Letter on January 15, 25, February 7, and 29, 2008. On February 7, 2008, members of Staff and Aquila met at Aquila to discuss the progress of the investigation.

6. The Staff has also prepared a summary of all public comments received so far by the Commission related to Aquila in this case. (See Appendix C "Outage Customer Comment Summary Sheet" attached hereto and incorporated by reference herein.)

WHEREFORE, in accordance with the Commission's Order, the Staff submits its Initial Report.

Respectfully submitted,

/s/ **Robert S. Berlin**

Robert S. Berlin
Senior Counsel
Missouri Bar No. 51709

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Certificate of Service

I hereby certify that copies of the foregoing have been mailed, hand-delivered, or transmitted by facsimile or electronic mail to all counsel of record this 3rd day of April 2008.

/s/ Robert S. Berlin

Aquila, Inc.
Initial Report of Storm Preparation and Restoration Efforts
Case No. EO-2008-0220

1) Weather Conditions and Severity of Storm

Storms struck various parts of Missouri over a four day period from December 8th through the 12th, 2007.¹ Staff contacted Dr. Patrick Guinan, Missouri State Climatologist, and researched National Oceanic and Atmospheric Association (NOAA)/NWS internet sites regarding these ice storms in Missouri. Dr. Guinan compared these December 2007 storms in scope to those which occurred in 1848, 1924, 1930, 1937, 1957, 1987, and 2002. Dr. Guinan puts the severity of these storms in perspective in the January 2008 issue of the Missouri Ruralist:

Several weeks ago Missouri experienced its second major ice storm in less than a year with a large part of the state cocooned in ice. The storm reached historical proportions over parts of northwestern Missouri, where some communities in Buchanan, Andrew, Holt, Atchison and Nodaway counties reported ice as thick as 1-inch on trees, power lines, vehicles and just about everything that was exposed to the elements.

Winter storms that deposit a glaze of 0.75 to 1-inch of ice are rare and have about a 1 in 50 year recurrence interval for any given location in Missouri. Historical accounts of major ice storms of this magnitude in Missouri indicate the rarity of these events. According to archived storm reports from the National Climatic Data Center, National Weather Service reports, and various press clippings, only a handful of storms of this magnitude have impacted Missouri.

The North region of the Aquila, Inc. (Aquila or Company) service territory was hit by the second wave of precipitation, which began impacting customer service during the evening of Monday, December 10, and approximately 90% of the customer's service was impacted. This region includes St. Joseph, Maryville, Mound City, Tarkio, and other communities. A total of over 83,600 Aquila customers were affected. For comparison purposes, the January/February 2002 winter storm affected approximately 53,800 Aquila customers. Staff has gathered information from the National Weather Service (NWS)

¹ All dates in this summary will be 2007 unless otherwise noted.

and other sources and will provide a more detailed description of the arrival times, duration and intensity of the storm in its final report.

2) Storm Restoration Planning Process / Company Response

All Aquila customers were restored by Tuesday, December 18th. Staff is reviewing how quickly Aquila recognized the severity of this winter storm and the methodologies it utilized for requesting outside assistance. The timing of the requests and types of assistance requested is being evaluated. Staff is aware that availability of outside support was impacted by the first wave of precipitation that occurred just days earlier.

3) Outage Tracking and Field Dispatch Coordination

Staff is reviewing how Aquila's newly enhanced Emergency Service Restoration Plan (ESRP) was utilized to assess damage, identify additional resource requirements, establish communication, manage logistics, and manage field dispatch.

4) Prioritization of Outage Repairs

Staff is reviewing the prioritization process defined in Aquila's ESRP. Staff is also evaluating how these priorities are utilized by crew dispatching personnel. Communications with prioritized customers are also being reviewed.

5) Call Center Operations

Aquila provides customers with an 800 number to contact its Call Center, which is operated on a 24/7 basis, to report outages. All calls, outage or otherwise, are initially answered by a VRU (Voice Response Unit) which provides a menu listing of options. The first menu option to customers is to report a power outage. Aquila's Call Center system allows customers to report their outage through the Company's automated system or permits the customer to speak directly with a Customer Service Associate.

Staff is examining Call Center staffing and the volume of calls that Aquila received during the December 2007 outage. Staff is also reviewing Aquila's Call Center performance indicators, including the average speed of answer (ASA) and the abandoned

call rate (ACR) during the outage. There are many call center indicators used by utility management to monitor call center performance and, of those, ASA and ACR are considered two foundational call center performance metrics.

Aquila utilized its outage management system, (ServiceOn), to track and coordinate outages and outage restoration. “Call backs” were made to customers once field operations indicated service has been restored. These automated return customer calls allows Aquila customers and the Company to have a confirmation by both that service has been restored. During a majority of the outage, system-wide estimated restoration times were offered to customers by the Call Center as well as provided through media releases and in radio programs. Toward the end of the outage when more specific restoration times could be estimated with greater certainty, more specific information was provided to customers by the Call Center. Staff is performing further analysis regarding the Company’s call center operations during the outage including analyzing blocked calls, use of secondary phone numbers in Aquila’s call system, reviews of call center scripting and other information.

6) Web Site

The Company’s Electronic Outage Center (EOC) web site (www.Aquila.com) was updated a minimum of three times daily during the storm. The Company’s web site includes an outage map that graphically displays the areas that are impacted and the number of customers affected by outages. Customers are able to report outages via Aquila’s web site as well as receive a variety of information, including the Company’s general restoration process. The overview of the restoration process explains the prioritization of making repairs to major substations, transmission and distribution lines in order to restore service to as many customers in as timely of manner as possible. Staff is performing additional review of the Company’s web site and internet communications process.

7) Customer Comments and Complaints

The Commission’s Electronic Filing and Information System (EFIS) received 24 public comments from Aquila’s Missouri customers. A number of public comments

addressed tree trimming concerns, utility storm response, concerns with executive management and rate increases. A number of comments were also positive regarding Aquila's storm performance. A summary listing of the breakdown of the public comments is attached to this initial report.

8) Medical and Special Needs Customers

Aquila's "Life Support" customers (those with medical needs) who have previously registered with the Company, utilizing its application process, are identified in Aquila's Customer Information System (CIS). Once these customers report their outage through the High Volume Call Answer system (HVCA), they are routed to a live agent and their outage tickets are systematically flagged in the ServiceOn system. Currently, Aquila has 543 Missouri customers on its medical needs or Life Support registry.

Aquila made outbound calls twice daily during the outage period to its Life Support customers to provide pertinent information regarding their specific outage and to encourage customers to plan accordingly. Aquila also passes outage information for these customers onto secondary contact sources noted in the CIS. Staff is further evaluating the Company's storm response and restoration activities related to medical and special needs customers including related institutions such as hospitals and nursing homes.

9) Communication with Customers and City, County and State Officials

As part of its emergency response, Aquila formed a communications team to communicate with customers and public officials as well as news media regarding outages and restoration activities. Methods of communications regarding the storm included news releases, EOC web site, city and emergency services briefings, television interviews, radio call-in and talk shows and public official contacts.

Aquila maintains a list of emergency contacts, including the Missouri Commission Staff, city and county officials, legislators and emergency management officials. Daily contact was made with the Staff and a conference call was held on December 11th with all service area cities that called in to participate in response to an invitation by fax. Direct contact was made by local supervisors and workers with cities

when it was difficult to communicate by fax or e-mail. Staff is further analyzing the Company's communication processes with its customers and governmental officials as part of its storm response.

10) Vegetation Management

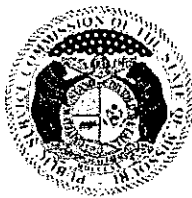
Staff is reviewing the status and funding of Aquila's vegetation management program and how that implementation may have affected the damage incurred in this storm, including schedule adherence. Staff is also taking into consideration the vegetation rule that was recently finalized by the Commission.

11) Infrastructure Maintenance

To the extent that data is available, Staff is evaluating the impact of infrastructure maintenance on storm damage and/or storm damage prevention. Staff is also reviewing actions that Aquila has taken to improve the reliability of their electrical transmission and distribution systems. Staff has also been involved in recent rule-making activities on this topic and will take into consideration the infrastructure rule as it reviews this topic.

12) Evaluation of Restoration Effort and Recommendations

Staff is performing a review of all state regulated Missouri electric utilities, since all four were impacted by the December 2007 storms. Staff sent a letter to all Missouri electric utilities on January 8, 2008 which requested specific information from the utilities regarding the December winter storm. Aquila's responses to that letter have been received. Staff also traveled to Raytown for an on-site presentation by Aquila on February 7. Staff is compiling the information received through the responses to the Staff's letter, meetings, and other communications. Staff is also reviewing the January/February 2002 storm investigation with regard to Aquila's actions and Staff conclusions/recommendations regarding this earlier ice storm.



Commissioners

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Chairman

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Secretary/Chief Regulatory Law Judge

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General Counsel

January 8, 2008

Mr. Denny Williams
Aquila, Inc.
Mail Stop 8-170
20 West 9th Street
Kansas City, MO 64105

Dear Mr. Williams:

The Commission recently opened cases and issued orders directing Staff to investigate the effectiveness of utilities' storm preparation and power restoration efforts for the December 2007 Ice Storms and report its findings and recommendations to the Commission (Case Numbers EO-2008-0215, EO-2008-0218, EO-2008-0219, and EO-2008-0220 for The Empire District Electric Company, Union Electric Company d/b/a AmerenUE, Kansas City Power & Light Company, and Aquila, Inc., respectively). The orders direct Staff to file an initial report regarding the results of its investigation no later than April 3, 2008. Staff anticipates filing an initial report by the date specified followed by additional reports as necessary at a later date. Staff will also consider scheduling a roundtable discussion (or similar forum) to review the results of these reports and analysis on a state-wide basis.

Since all investor-owned utilities in Missouri were affected, Staff is requesting the following information from each of the individual utilities by the dates listed.

A. Description of the event, including statistics related to number of customer outages, duration of outages, infrastructure affected, call center performance data that includes metrics considered by the utility to be most critical during the outage, use of internal and third parties to provide personnel and facilities, and any other relevant information. Submit to Staff by January 25, 2008.

B. Description of remedial actions taken by the utility to recover from the event, including resources utilized (manpower, material, financial expenditures, etc.), outage tracking, crew dispatching, restoration prioritization, customer communications, public official communications, special circumstances encountered, and any other relevant information. Submit to Staff by February 15, 2008.

C. Description of actions taken (since the December 2007 storms) and planned actions to be taken by the utility to prevent or mitigate the effects of future events such as the December 2007 ice storms, including policy/procedure modifications, communications enhancements, vegetation management, reliability monitoring, infrastructure modifications, and any other relevant information. This item should include a review of any previous corrective actions (due to similar events) taken prior to December 2007 and an analysis of the success of those actions relative to this event. Submit to Staff by February 29, 2008.

D. A complete copy of all procedures, policies, guidelines, plans, or other documents that existed prior to December 1, 2007, that were utilized during the December 2007 ice storm events, specifically

relating to Items A and B above. If the Company had a consolidated document such as a "Storm Restoration Plan", please provide it. Submit to Staff by January 18, 2008.

E. A complete copy of any revisions made since the storm, to any of the documents listed in item D. Submit to Staff by January 18, 2008.

F. A copy of all reports and other documentation provided to Company management regarding the Company's operations immediately prior to and during the storm restoration activities. Submit to Staff by January 25, 2008.

G. Copies of all documentation defining the Company's methodology and data collection process to generate statistics (e.g. customer outages, costs, etc.) related to the impact of the storm on the Company's operations and financial conditions. Submit to Staff by February 15, 2008.

Staff has designated storm investigation coordinators for each of the utilities. Please feel free to contact the appropriate person with any questions or comments.

Staff Lead	Lena Mantle	573-751-7520	lena.mantle@psc.mo.gov
Empire	Dan Beck	573-751-7522	dan.beck@psc.mo.gov
AmerenUE	Debbie Bernsen	573-751-7440	debbie.bernsen@psc.mo.gov
KCPL	Mike Taylor	573-526-5880	michael.taylor@psc.mo.gov
Aquila	Lisa Kremer	573-751-7441	lisa.kremer@psc.mo.gov

An outline of the proposed topics and activities that Staff is proposing to be utilized is attached for your information. Please let us know if you have any suggestions for additional topics or activities.

If you have any questions regarding this information, or can't meet the timelines listed, please provide a written explanation why the timeline can't be met and when the information will be available for Staff review. You may contact Lena Mantle at 573-751- 7520 or me at 573-751-7435.

Sincerely,


Wess Henderson
Executive Director

Attachment

cc: Blane Baker
Bob Berlin ✓
Nathan Williams
James Swearengen
Renee Parsons
William Riggins
Thomas Byrne
Natelle Dietrich
Bob Schallenberg
Lena Mantle
Dan Beck
Lisa Kremer
Debbie Bernsen
Mike Taylor
Warren Wood

Review of Storm Restoration Efforts
Proposed Topics & Outline of Activities

- 1) Storms / Arrival Times / Outages by Day - Morning & Evening (w/maps)
Staff will examine how severe these storms were compared to typical winter storms and if this was a contributor to the severity of the outages. Staff will discuss with the electric utilities the operation of their Outage Analysis Systems (OAS) during and following these storms if such system exists for the utility.
- 2) Crew Needs Determination
Mutual Assistance Agreements
Search for Outside Crews
When Crews Called In
Any Delays in Crew Availability/Arrivals
How Long Crews Were Kept
Staff will review how quickly the utilities recognized the severity of the outages and how quickly they sought outside assistance. The timing of requests for different levels of assistance will also be looked into as these outages were the result of two major ice storms. Staff will also study if the utilities did not ask some utilities for help or turned down any offers for assistance and if so, why. These factors will be looked at in conjunction with the utilities' Mutual Assistance Agreements to assess if they played a significant role in extending the timeframe of restoration in this outage.
- 3) Outage Tracking & Field Dispatch Coordination
Staff will look at how all of the utilities dispatch crews using their systems and how they establish what type of crews need to be at a particular site as well as how they determine the next site each crew is dispatched to when they are done with their current job.
- 4) Prioritization of Outage Repairs
Priority Treatment Groups (fire, medical, police, water, sewer, etc...)
Prioritization of Remaining Customers
Staff will review the current priority of service procedures and look into how the utilities track these customers in terms of when they lose service and how crews are dispatched to give them priority restoration service.
- 5) Call Center Operations During Storm
Customers Calling In To Report Outages
Overflow Provisions
Estimated Restoration Times
Customers Wanting Estimate But Not Being Provided
Automated Call Back Functions
Staff will review each utilities customer call capability. If it is determined that there were problems with the customer call capability, Staff will look into how

this situation occurred, how it was fixed, and what steps are being taken to prevent recurrence in future major outages. This portion of Staff's review may bring to light issues outside of the utilities' planning/infrastructure support process and any of these observations will be looked into by Staff.

6) Internet Linkage Problems

Three of the four of the Missouri IOU utilities give outage information on their internet sites. Staff will look into internet problems, how these situations occurred, how they were fixed, and what steps are being taken to prevent recurrence in future major outages. This portion of Staff's review may bring to light issues outside of the utilities' planning/infrastructure support process and any of these observations will be looked into by Staff.

7) Consumer Services Specific Issues/Observations

Staff will review all public comments and complaints submitted to the Commission regarding the outages. Any additional comments that the Commission receives will be included in this investigation.

8) Medical Needs Customer Registration and Notifications

Staff will review the registration, education and notification processes of the utilities.

9) Communication with Customers and City, County & State Officials

Staff participated in the SEMA/EOC phone calls during this outage. Staff will also review the utilities' normal process for maintaining contact with the media and officials and agencies in preparation for future outages.

10) Vegetation Management

Status of Trimming?

Any Need to Accelerate Trim Schedule?

Any Need to Consider Additional Programs?

Any Special Contracts/Initiatives

Years for Transmission vs. Distribution

Service Lines in Yards

Types of Trees & Clearance Distances

Replacement of Problem Trees / Incentives (Ornamentals)

Staff will examine the topics listed above for all of the utilities in this review.

Staff will also again look at types of vegetation contributing to the majority of damage in recent storms and factors contributing to this situation. Factors contributing to extent of damage like backyard routing vs street side routing and overhead vs buried circuits will be considered.

11) Grid Reliability Standards Issues & Infrastructure Maintenance

Staff will review the utilities' pole inspection & treatment programs, worst performing circuits and outage reports processes. Staff will also review what steps the utilities have taken to improve the reliability of their power delivery

system through installation of sectionalizing devices, reclosers, fuses and loop schemes.

12) Evaluation of Restoration Effort & Recommendations

Staff will compile the information received through meetings, utility responses, and data request responses. To the extent possible, Staff will provide a comparison of the IOUs' restoration efforts to the restoration efforts of co-ops in the affected areas. Staff will then summarize its concerns and provide its recommendations on how best to deal with these concerns.

Outage Customer Comment Summary Sheet
December 2007
Aquila EO-2008-0220

Total Customers Commenting		Total Number of Comments		Number of Comments Per 1,000 customers		
Utility	Amount	Utility	Amount	Utility	Customers	Customers
Aquila	24	Aquila	67	Aquila	304,260	0.22

Comment Totals																				
Utility	Positive feedback	Storm outage concern	Infrastr. maint.	Repeat outages	Storm response	Tree trimming	Tree cleanup	Repair quality	Credits	Bill amount	Safety	Bury lines	Call center	Medical registry	ERT	Web	Concern with merger	Cust. comm.	Exec. mgmt.	Total
Aquila	9	8	4	1	7	15	0	1	1	0	1	0	3	2	2	0	5	2	6	67

Percent of Comments Per Outage Category																				
Utility	Positive feedback	Storm outage concern	Infrastr. maint.	Repeat outages	Storm response	Tree trimming	Tree cleanup	Repair quality	Credits	Bill amount	Safety	Bury lines	Call center	Medical registry	ERT	Web	Concern with merger	Cust. comm.	Exec. mgmt.	Total
Aquila	13.4%	11.9%	6.0%	1.5%	10.4%	22.4%	0.0%	1.5%	1.5%	0.0%	1.5%	0.0%	4.5%	3.0%	3.0%	0.0%	7.5%	3.0%	9.0%	100%