

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION**

At a session of the Public Service
Commission held at its office in
Jefferson City on the 15th day
of January, 2008.

In the Matter of the Application of Aquila, Inc.,)
Heat Rate Testing and Scheduling Proposal)
Pursuant to its Authorized Rate Adjustment)
Mechanism.) **Case No. EO-2008-0156**

**ORDER APPROVING HEAT RATE TESTING
AND SCHEDULING PROPOSAL**

Issue Date: January 15, 2008

Effective Date: January 25, 2008

Syllabus: This order approves as being in compliance with 4 CSR 240-3.161(2)P the heat rate testing and scheduling proposal filed by Aquila, Inc., on November 9, 2007 and subsequently amended and supplemented on November 27, 2007.

In its May 17, 2007 Report and Order in Case No. ER-2007-0004,¹ the Commission granted Aquila a waiver of Commission Rule 4 CSR 240-3.161(2)P, which requires an electric utility seeking to establish a rate adjustment mechanism as described in 4 CSR 240-20.090(2) to file “a proposed schedule and testing plan with written procedures for heat rate tests . . . to determine the base level of efficiency for each of the units.” In that order the Commission further directed Aquila to develop a heat rate and/or efficiency testing schedule and plan that met the requirements of Commission Rule 4 CSR 240-3.161(2)P, with the following conditions. First, in the event any party to Case No. ER-2007-0004

¹ The Commission’s May 17, 2007 Report and Order in Case No. ER-2007-0004 is currently the subject of an appellate action before the Circuit Court of Cole County, Missouri in Case No. 07AC-CC00630.

opposed the written heat rate and/or efficiency testing procedures ultimately proposed by Aquila, Aquila could file a motion with the Commission seeking approval of those procedures. Second, Aquila had to have finalized procedures that were either agreed to by the parties, or approved by the Commission, in place no less than sixty days before the effective date listed on the tariff for Aquila's initial fuel adjustment clause adjustment filing.

On November 9, 2007, Aquila filed a Motion to Establish a Docket for Approval of Heat Rate Schedule and Testing Plan, which resulted in the opening of this case. Aquila asked the Commission to approve the proposed heat rate and/or efficiency schedule and testing plan with written procedures Aquila submitted in conjunction with that motion.

In support of its motion Aquila stated that it had not yet secured an agreement to its proposed procedures, schedules and manuals, from all parties to Case No. ER-2007-0004. Accordingly, Aquila formally submitted its proposed heat rate and/or efficiency schedule and testing plan to the Commission for its approval in the event an agreement could not be reached.

The Commission sent notice regarding Aquila's application to media serving and members of the General Assembly representing Aquila's service area. Notice was also sent to all parties to Case No. ER-2007-0004. The Commission also provided an opportunity for interested parties to intervene. On December 27, 2007, the Commission granted the Conditional and Late-Filed Application to Intervene filed by AG Processing Inc., a Cooperative, and the Sedalia Industrial Energy Users' Association.

On December 19, 2007, the Commission's Staff timely filed its recommendation and supporting memorandum regarding Aquila's proposal. Staff recommended "that the Commission issue an Order approving Aquila's heat rate testing and scheduling proposal,

as filed on November 9, 2007 and subsequently amended and supplemented on November 27, 2007.”

To afford interested parties, particularly those only recently granted intervention, an opportunity to respond to Staff’s recommendation, the Commission set January 7, 2008, as the deadline for any party to file a response to that recommendation. No response was filed.

After reviewing Aquila’s verified heat rate testing and scheduling proposal, as filed on November 9, 2007, and subsequently amended and supplemented on November 27, 2007, and Staff’s verified Recommendation and Memorandum, which are hereby admitted into evidence, the Commission concludes that Aquila’s heat rate testing and scheduling proposal, as amended on November 27th, meet the requirements of Commission Rule 4 CSR 240-3.161(2)P and shall be approved.

IT IS ORDERED THAT:

1. Aquila, Inc.’s, proposed heat rate schedule and testing plan filed on November 9, 2007, and subsequently amended and supplemented on November 27, 2007, is approved as being in compliance with Commission Rule 4 CSR 240-3.161(2)P.
2. This order shall become effective on January 25, 2008.
3. This case may be closed on January 26, 2008.

(S E A L)

Davis, Chm., Murray, Clayton,
Appling, and Jarrett, CC., concur.

Voss, Regulatory Law Judge

BY THE COMMISSION



Colleen M. Dale
Secretary