

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

In the Matter of Aquila, Inc., d/b/a Aquila)
Networks - MPS and Aquila Networks - L&P)
for Authority to Implement Rate Adjustments)
Required by 4 CSR 240-20.090(4) and the)
Company's Approved Fuel and Purchased)
Power Cost Recovery Mechanism.)

Case No. EO-2008-0415

STAFF RECOMMENDATION

COMES NOW the Staff of the Missouri Public Service Commission ("Staff"), by and through counsel, and for its *Recommendation to Approve Tariff Sheet* states the following to the Missouri Public Service Commission ("Commission"):

1. On June 30, 2008, Aquila, Inc. d/b/a Aquila Networks - MPS and Aquila Networks - L&P ("Aquila") filed a tariff sheet to establish rate schedules to make a semi-annual adjustment to customer rates based on Aquila's approved Fuel Adjustment Clause ("FAC"). The filing was pursuant to the Commission's *Report and Order* in Aquila's last general rate increase proceeding, Case No. ER-2007-0004, in which the Commission authorized the FAC. This is the second adjustment to rates due to the FAC. The first one was the subject of Commission case no. EO-2008-0216.

2. Commission Rule 4 CSR 240-20.090(4) provides that the Staff "shall submit a recommendation regarding its examination and analysis to the Commission not later than thirty (30) days after the electric utility files its tariff schedules to adjust its FAC rates." Staff must determine if Aquila's proposed adjustment to the FAC is in accordance with 4 CSR 240-20.090, §386.266 RSMo, and the "FAC mechanism established in the most recent general rate proceeding." *Id.*

3. In the attached Memorandum (Appendix A), the Staff recommends that the Commission issue an interim rate adjustment order approving Aquila's Tariff Sheet, P.S.C. MO.

No. 1, 2nd Revised Sheet No. 127 Canceling 1st Revised Sheet No. 127, as filed on June 30, 2008, and substituted on July 22, 2008, to become effective on September 1, 2008, subject to true-up and prudence reviews.

4. Aquila's requested adjustment is based on an accumulation period (of eligible costs subject to subsequent recovery from or refund to customers) December 1, 2007 through May 31, 2008.

5. Commission Rule 4 CSR 240-3.161(6) requires each electric utility with a fuel adjustment clause to submit a Surveillance Monitoring Report. Commission Rule 4 CSR 240-20.090(10) states that a utility shall submit the Surveillance Monitoring Reports within 15 days of the utility's submission of its 10-Q and 10-K reports to the U.S. Securities and Exchange Commission. The Company submitted this report in its June 30, 2008 filing. The Staff Memorandum notes that these filings are to be made in accordance with the applicable rules.

6. The Staff's evaluation shows Aquila's filing is in compliance with §386.266 RSMo, 4 CSR 240-20.090 and 4CSR 240-3.161. The Staff recommends that the Commission issue an interim rate adjustment order approving Aquila's proposed tariff sheet, subject to true-up and prudence reviews.

WHEREFORE, the Staff recommends that the Commission issue an interim rate adjustment Order approving Aquila's Tariff Sheet, P.S.C. MO. No. 1, 2nd Revised Sheet No. 127 Canceling 1st Revised Sheet No. 127, as filed on June 30, 2008, and substituted on July 22, 2008, to become effective on September 1, 2008, subject to true-up and prudence reviews.

Respectfully submitted,

/s/ Sarah Kliethermes

Sarah L. Kliethermes

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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed, hand-delivered, transmitted by facsimile or electronically mailed to all counsel of record this 30th day of July 2008.

/s/ Sarah Kliethermes

MEMORANDUM

TO: Missouri Public Service Commission Official Case File
Case No. EO-2008-0415, File No. YE-2008-0789
Aquila, Inc, d/b/a Aquila Networks – MPS and Aquila Networks – L&P

FROM: James Watkins, Manager, Economic Analysis, Project Coordinator
Mack McDuffey, Rate & Tariff Examiner II

/s/ James C. Watkins 7/30/2008 /s/ Sarah Kliethermes 7/30/2008
Energy Department / Date General Counsel's Office / Date

SUBJECT: Staff Recommendation for **Approval** of Tariff Sheet Filed to Increase Revenues
Related to the Fuel Adjustment Clause (FAC) Pursuant to the Commission's
Report and Order from Case No. ER-2007-0004

DATE: July 30, 2008

On June 30, 2008, Aquila, Inc. d/b/a Aquila Networks – MPS and Aquila Networks – L&P (Aquila or Company) of Kansas City, Missouri, filed with the Commission one (1) tariff sheet bearing a proposed effective date of September 1, 2008 to revise the Current Period Cost Adjustment Factor (CAF) for MPS and L&P (lines 10 on Sheet No. 127). By means of the proposed tariff sheet Aquila requests (on an annual basis) an increase in the revenues it bills through its fuel adjustment clause of \$13,648,754 for the Aquila Networks – MPS service territory by increasing the CAF from \$0.0020 to \$0.0043 for Secondary and from \$0.0020 to \$0.0042 for Primary. For the Aquila Networks – L&P service territory Aquila requests an increase in the revenues it bills through its fuel adjustment clause of \$1,718,713 for the Aquila Networks – L & P service territory by increasing the CAF from \$0.0015 to \$0.0023 for both the Secondary and Primary. (The values are the same due to rounding.) On July 22, 2008, Aquila filed a substitute tariff sheet to correct a typo of the amount shown for Aquila Networks - L&P's "Base energy (S_A) by voltage level" for Primary as requested by the Commission's Energy Department Staff (Staff). On July 29, 2008, Aquila filed a corrected page 7 (A) 1.C (I-III) to the information required by 4 CSR 240-3.161(7). The corrected page contains information regarding Aquila's on-peak and off-peak costs, and demand and energy costs stated separately.

The accumulation periods, recovery periods, and other specifications of Aquila's existing FAC are set out in its tariff sheets designated Original Sheet Nos. 124 through 127, approved on June 29, 2007, via the Commission's *Order Granting Expedited Treatment and Approving Tariff Sheets* with an effective date of July 5, 2007. Specifically, Original Sheet No. 124 sets out Aquila's six-month accumulation periods as June through November and December through May, while the twelve-month recovery periods are set out as March through February and September through August.

The information and workpapers filed with the revised tariff sheets in this case include sufficient data to calculate adjustments to the CAF based on the fuel and purchased energy costs provided by Aquila for the period of December 1, 2007 through May 31, 2008.

The Commission's Energy Department Staff has reviewed the proposed Revised Tariff Sheet No. 127 based on the information and workpapers attached to the filing in conjunction with the calculations and details found on Tariff Sheet No. 127. The Staff also reviewed the monthly submission and surveillance monitoring reports provided by the Company as described in the attached memorandum.

Staff is of the opinion that Aquila timely filed its proposed tariff sheet and that the proposed tariff sheet complies with the Commission's Order in Case No. ER-2007-004 and Commission rules 4 CSR 240-20.090 and 4 CSR 240-3.161. Staff, therefore, recommends to the Commission that it issue an order approving the following proposed tariff sheet, as filed on June 30, 2008, and substituted on July 22, 2008, to become effective on September 1, 2008, as requested by Aquila, subject to both true-up and prudence reviews:

P.S.C. MO. No. 1

2nd Revised Sheet No. 127 Canceling 1st Revised Sheet No. 127

Staff has verified that Aquila is not delinquent on any assessment or the filing of its annual report. Staff is not aware of any other matter pending before the Commission that affects or is affected by this tariff filing.

MEMORANDUM

TO: Mack McDuffey

FROM: Adam McKinnie

SUBJECT: Aquila Networks-L&P and MPS FAC Tariff, Tariff Filing No. YE-2008-0789, Case No. EO-2008-0415

DATE July 18, 2008

Aquila Networks-L&P and MPS (Aquila) has filed an updated fuel adjustment clause (FAC) tariff filing in compliance with the FAC Rule, 4 CSR 240-3.161. The FAC Rule describes the manner in which Aquila is to calculate the Cost Adjustment Factor (CAF) for the next six months. Included in the current filing are the proposed tariff pages, the testimony of Gary Clemens formerly of Aquila, and accompanying workpapers.

The procedure for the calculation of the CAF is set out in Sheets 124-126 of Aquila Tariff No. 1.

I have reviewed the provided numbers and mathematical calculations within the current tariff filing on proposed 2nd Revised Sheet 127. The calculations satisfy the standards set forth within Sheets 124-126 of the tariff.

I would also note that there is an amount of interest added between line 6, "Second Interim Total by voltage level", line 8, "Fuel Adjustment Clause", for both Primary and Secondary customers in both MPS and L&P territories that is described in paragraph 5 under the heading "Application" on Original Sheet 124. The amount of this interest does not show up in 2nd revised Sheet 127 but is described in the workpapers.

Susan L. Lindermeier
Notary Public