

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

In the Matter of the Application of Aquila,)
Inc. d/b/a Aquila Networks – MPS and)
Aquila Networks – L&P for Authority to)
Transfer Operational Control of Certain)
Transmission Assets to Midwest)
Independent Transmission System)
Operator, Inc.)

Case No. EO-2008-0046

STAFF STATUS REPORT

COMES NOW the Staff of the Missouri Public Service Commission (Staff) in response to the August 28, 2007, Order Directing Filing of the Missouri Public Service Commission (Commission) instructing the Staff to advise the Commission by September 17, 2007, of a date certain when the Staff will file a recommendation regarding the application of Aquila, Inc. d/b/a Aquila Networks – MPS and Aquila Networks – L&P, for authority to transfer operational control of certain transmission assets to the Midwest Independent Transmission System Operator, Inc. (MISO).¹ Also, on August 28, 2007, the Commission issued an Order Directing Notice And Setting Deadline For Intervention. In response, the Staff states as follows:

¹ Aquila has twice before filed with the Commission applications respecting Aquila joining MISO. In Case No. EO-2002-125 UtiliCorp United Inc.'s Missouri Public Service and St. Joseph Power & Light divisions (n/k/ s Aquila, Inc. d/b/a Aquila Networks – MPS and Aquila Networks – L&P) requested a finding of lack of jurisdiction over the transfer of operational control of its transmission facilities to MISO or, in the alternative, authority to do so. UtiliCorp filed a Notice Of Dismissal in Case No. EO-2002-125 stating: "Recent events at the Federal Energy Regulatory Commission, and matters pending before this Commission regarding independent system operators, have created substantial uncertainty regarding the subject matter of UtiliCorp's filing. As a result, at this time UtiliCorp chooses to withdraw its filing and dismiss this case." In Case No. EO-2003-0566, Aquila, Inc. d/b/a Aquila Networks – MPS and Aquila Networks – L&P for, among other things, authority to transfer operational control of certain transmission assets to MISO. The Commission closed Case No. EO-2003-0566 when the parties sought solely to continue to file Status Reports. The parties limited themselves to filing Status Reports due to a number of circumstances. First, Aquila's application initially had to wait for Union Electric Company d/b/a AmerenUE's application to participate in MISO because AmerenUE is the only direct connection to MISO for either of Aquila's Missouri operating divisions. The next events were the establishment of the SPP as a regional transmission organization (RTO) and the development of cost-benefit studies respecting members of SPP participating in the SPP RTO performed through the SPP Regional State Committee and the cost-benefit study of Aquila participating in MISO performed through MISO. Also there were financial events respecting Aquila itself.

1. At Aquila's request Charles Rivers Associates performed an independent, non-RTO sponsored cost-benefit economic study that shows it is more beneficial for Aquila to join the Southwest Power Pool, Inc. (SPP) rather than MISO. In fact, the results of the cost-benefit study indicate that while there are potential cost savings for Aquila joining either regional transmission organization (RTO), the estimate of net cost savings for Aquila joining SPP are significantly greater than the benefits estimated for Aquila joining MISO.

2. The importance of the results of cost-benefit studies on the Staff's previous recommendations regarding Missouri investor-owned utilities joining RTOs has been significant. In AmerenUE Case No. EO-2003-0271, a condition for Staff recommending the Commission granting interim approval of Union Electric Company d/b/a AmerenUE participating in / joining MISO is that AmerenUE perform and file a cost-benefit study at least 18 months prior to the termination of the Commission's five-year interim approval. An independent cost-benefit economic study was previously performed for the SPP Regional State Committee, which was critical to the Staff's recommendation when both Kansas City Power & Light Company (Case No. EO-2006-0141) and The Empire District Electric Company (Case No. EO-2006-0142) separately applied for authority to transfer functional control of certain of their transmission assets to SPP.

3. As a consequence of the results of the Charles Rivers Associates' independent cost-benefit study performed for Aquila, the Staff cannot support Aquila's application to join MISO rather than SPP, and the Staff recommends that the Commission schedule a prehearing conference for the purpose of setting a procedural schedule for the filing of testimony and evidentiary hearings.

WHEREFORE, the Staff requests that the Commission schedule a prehearing conference for the purpose of the parties proposing to the Commission a procedural schedule, including dates for the filing of testimony and evidentiary hearings.

Respectfully submitted,

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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 17th day of September 2007.

/s/ Nathan Williams