

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

In the Matter of the Application of Aquila, Inc.,)	
for the Issuance of an Accounting Authority)	<u>Case No. EU-2008-0233</u>
Order Relating to its Electrical Operations)	

CONCURRING OPINION OF ROBERT M. CLAYTON III

This Commissioner concurs with the majority's order granting Aquila an accounting authority order (AAO) for incurred costs associated with damaged infrastructure and the utility's recovery from the destructive ice storms of December 2007. While this grant of an AAO does not guarantee a utility recovery of certain costs, it does authorize accounting treatment that will enable the possibility of such recovery over and above standard costs of service in the future. The staff has verified the nature of the incremental costs to be recorded and deferred in the regulatory asset and this Commissioner concurs that these costs satisfy the Commission's criteria for favorable regulatory treatment. However, this Commissioner believes that these costs can be better spent in prevention rather than a cure after-the-fact. If the Commission were to mandate more stringent requirements for Missouri's electric utilities for tree trimming, infrastructure inspection and in reliability improvements, this Commissioner believes that recovery costs would be lower enabling the public to avoid the difficulties and inconveniences associated with lengthy and frequent outages.

Aquila estimates that it spent \$13.5 million in its storm restoration processes. These extraordinary, "one-time" costs include hiring 950 temporary, full-time workers, paying for lodging of out of town workers and compensating their own employees for significant amounts of overtime. Electrical workers, tree trimmers and other contractors were essential to Aquila's recovery from the storm. As pointed out in Staff's memorandum in this case, every electrical utility in Missouri has either requested special regulatory treatment of storm-related costs in the

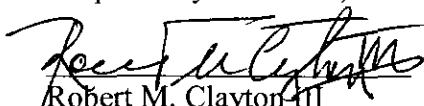
last two years or is currently seeking amortization for storm-related costs. Aquila is no exception. While these costs may be reasonable under the circumstances, they may not be reasonable if compared to preventative measures that possibly could have been taken in preparation for the likely increase of strong storms. If customers are expected to pay higher rates because of the severity and frequency of storms, they should benefit from preventative measures that would allow them to avoid the inconvenience and dangers associated with lengthy outages.

Utilities argue that the costs associated with preventative measures, such as improved tree trimming, aggressive infrastructure inspection programs and reliability monitoring and reporting would have exceeded the recovery costs in this case. Yet, most customers would prefer an incrementally higher rate to prevent the outage in the first place and avoid the need to hire an army of workers to make repairs. Improvements in maintenance and reliability best practices should reduce, lessen or avoid the possibility of incurring these extraordinary expenses. This Commissioner believes that the Commission would benefit from staff conducting such an evaluation in comparing preventative costs with recovery costs.

This Commissioner concurs that the expenses to be deferred are reasonable as a "pound of cure," however, customers would enjoy the benefits of preventative costs that should have been incurred as "an ounce of prevention" so customers can avoid significant disruptions in service.

For the foregoing reasons, this Commissioner concurs.

Respectfully submitted,


Robert M. Clayton III
Commissioner

Dated at Jefferson City, Missouri
on this 9th day of July, 2008.