



John B. Coffman
Acting Public Counsel

State of Missouri

Bob Holden
Governor

Office of the Public Counsel
Governor Office Building
200 Madison, Suite 650
P.O. Box 7800
Jefferson City, Missouri 65102

Telephone: 573-751-4857
Facsimile: 573-751-5562
Web: <http://www.mo-opc.org>
Relay Missouri
1-800-735-2966 TDD
1-800-735-2466 Voice

June 6, 2002

Mr. Dale H. Roberts
Secretary/Chief Regulatory Law Judge
Public Service Commission
P. O. Box 360
Jefferson City, MO 65102

RE: Aquila, Inc.
Case No. EU-2002-1053

Dear Mr. Roberts:

Enclosed for filing in the above-referenced case please find the original and eight copies of **PUBLIC COUNSEL RECOMMENDATION AND REQUEST FOR HEARING**. Please "file" stamp the extra-enclosed copy and return it to this office.

Thank you for your attention to this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "JBC", followed by a long, sweeping horizontal line.

John B. Coffman
Acting Public Counsel

JBC:jb

cc: Counsel of Record

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

In the Matter of Aquila Inc.'s Application	)	
for the issuance of an Accounting	)	
Authority Order relating to Its electrical	)	Case No. EU-2002-1053
operation in the Aquila Networks - MPS	)	
division as a result of a severe ice storm.	)	

**PUBLIC COUNSEL RECOMMENDATION AND
REQUEST FOR HEARING**

Comes Now the Office of the Public Counsel (Public Counsel), pursuant to Section 393.140(4) and (8) RSMo. 2000 and submits the following recommendations for conditional approval of the Accounting Authority Order (AAO) requested by Aquila, Inc. ("Company" or "Aquila"), or in the alternative requests an evidentiary hearing to litigate disputed issues regarding this matter. In support hereof, Public Counsel states:

1. On April 24, 2002, Company filed its Application for an Accounting Authority Order regarding cost related to an ice storm occurring in its service area on January 30 and 31, 2002.

2. The ice storm that occurred this past winter in Kansas City, Missouri was a severe weather event that interrupted service for many of Company's customers. This type of unusual event is the type of unpredictable event for which an Accounting Authority Order is often appropriate; however, there are several terms and conditions that the Commission should adopt in approving any Accounting Authority Order related

to the ice storm that affected Company, in order to insure fair and equitable ratemaking treatment in the future. The following conditions:

1. Aquila should be authorized to defer **actual incremental** operation and maintenance **expenses** incurred as a direct result of the January 2002 ice storm to Uniform System of Accounts (USOA) Account 182.3. Such expenses shall be in accordance with USOA definitions of operation and maintenance expense and shall exclude any costs of or related to expenditures relating to plant-in-service (i.e. capital costs)
2. The Commission should order that any insurance claim proceeds, if applicable, first be used to offset the amount of the incremental expenses deferred. Any insurance proceeds in excess of the actual incremental expense (to the extent any insurance proceeds exist) shall be used to offset capital additions directly resulting from the ice storm.
3. Aquila should be authorized to immediately begin ratably amortizing the amount deferred to Account 182.3 over a 60-month period upon receipt of a MPSC R&O authorizing an AAO for expenses related to the January 2002 ice storm.
4. Aquila should be required to maintain adequate records supporting the incremental expenses deferred. Such records shall include, but not be limited to, detailing of outside contractors, food and lodging

costs, labor and material costs, procedures and verification for expense versus capitalization determinations, and determination of incremental levels of such costs versus normal on-going levels of costs. Such records should be available for Public Counsel, Staff, and other intervenors to review.

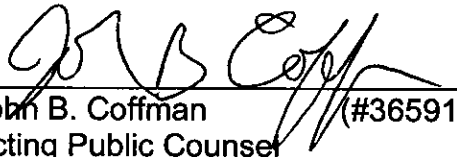
5. The Commission should not make any findings or inferences as to whether the deferred expenses are reasonable, whether other factors contributed to the damage to the system and the resulting repair/replacement costs incurred, or whether Aquila would have suffered financial harm (i.e. earnings during the period were adequate to compensate Aquila for the costs incurred) absent deferral. The Commission should reserve the right to consider the ratemaking treatment of the costs deferred and any assertions by parties to a future rate case.
6. The Commission order should also recognize that the ice storm's effect on the MPS division of Aquila and the authorization of an AAO is not related to the issue of whether separate overall cost of service studies for Aquila's divisions within the state of Missouri should be maintained. The appropriate method of determining the overall cost of service will be determined in a subsequent proceeding.

WHEREFORE, Public Counsel respectfully requests that the Commission conditionally grant Company's Application based on conditions 1 – 6 listed

above, or in the alternative, establish an evidentiary hearing and require the parties to propose a procedural schedule that would allow any disputed issues in this case to be resolved.

Respectfully submitted,

OFFICE OF THE Public Counsel

By: 

John B. Coffman (#36591)
Acting Public Counsel
P O Box 7800
Jefferson City MO 65102
(573) 751-5565
(573) 751-5562 FAX
jcoffman@ded.state.mo.us

CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed or hand-delivered to the following this 6th day of June 2002:

GENERAL COUNSEL

Missouri Public Service Commission
P. O. Box 360
Jefferson City, MO 65102
General Counsel

GARY W DUFFY (MBN 24905)

Brydon Swearengen & England PC
312 Capitol Avenue
PO Box 456
Jefferson City MO 65102
(573) 635-7166 (voice)
(573) 635-3847 (fax)
Duffy@Brydonlaw.com
Attorney for Aquila, Inc.

DENNIS WILLIAMS

Manager, Missouri Electric Regulatory Affairs
Aquila, Inc.
10700 East 350 Highway
PO Box 11739
Kansas City MO 64138
(816) 737-7857 (phone)
(816) 737-7505 (fax)
dennis.williams@aquila.com

A handwritten signature in black ink, appearing to read "J B Coffey", is written over a horizontal line.