

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

In the Matter of Aquila, Inc., d/b/a Aquila)	
Networks – MPS’s Purchased Gas Adjustment n)	Case No. GR-2004-0539,
Factors to be Reviewed in its 2003-2004 Actual)	as consolidated
Cost Adjustment.)	

RESPONSE TO RELIABILITY ANALYSIS

Comes now Aquila, Inc., and, in response to the Reliability Analysis found in the Staff Recommendation filed on November 21, 2005, states as follows to the Missouri Public Service Commission (Commission):

1. On November 21, 2005, Staff filed its 2003/2004 ACA Recommendation. That Recommendation, among other things, contained a section entitled “Reliability Analysis.” The Staff asked that Aquila respond by January 16, 2006, to the comments/concerns found in item 2 of that reliability section.¹ Aquila’s response to item 2 of the reliability section follows.

2. Item 2 of the reliability section concerns the reserve margin for the Aquila Networks – MPS Southern system. In particular, the Staff sought Aquila’s thoughts concerning the ** _____ **.

3. Aquila agrees that ** _____ ** does not consider that there may be a variation in the estimated usage for any given temperature. Aquila utilizes linear regression, which is an analysis model that takes statistical data and determines a base and a variable number. Aquila fully understands that there may, and most likely will be, variances for the same heating degree day (HDD) on different days. As mentioned in the Staff Recommendation, variances can occur because of cloud cover, wind speed or general variations

¹ Because January 16, 2006, is a federal and state holiday, Aquila will actually respond on January 17, 2006.

in customer consumption, but linear regression does not consider these variables in calculating base/variable.

4. Aquila utilizes the Sedalia weather station to perform usage forecast and regression analysis for the MPS Southern system. A majority of MPS Southern system customers are not located in Sedalia, Missouri, but instead in surrounding areas. This would be an additional reason why there would be a discrepancy for a given HDD on different days. Unfortunately, weather information is not available for each one of the communities that Aquila serves. Another phenomenon that Aquila has recognized is that its customer consumption continues to decline year-over-year. This is true throughout Aquila's service areas.

5. The school aggregation customers are part of Aquila's analysis. As mentioned in the Recommendation, capacity is released in the school aggregation program. The capacity is released to the transportation customer(s) (through its/their representative) at Aquila's cost. If the customer(s) choose to return to sales, the capacity would be recalled.

6. Aquila is always concerned with ensuring adequate capacity to meet the MPS Southern System peak day requirement. That is the reason Aquila performs regression analysis each year. Aquila takes a conservative approach in determining the peak day. ** _____

_____ ** The difficult part in determining the appropriate level of contracted firm entitlement is to cover the projected peak day without having an unused level of entitlement for which MPS Southern customers must pay.

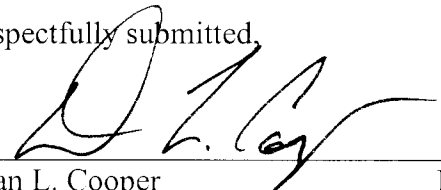
7. In the event Aquila did not have adequate peak day capacity, Aquila can look to other alternatives. ** _____

_____. **

8. Aquila Networks-MPS evaluates many options in determining the proper levels of firm entitlement and attempting to control the transportation/storage costs that the MPS Southern system customers pay. Based upon the above factors, Aquila believes that the estimated reserve margin for 2005/2006 is not currently a concern.

WHEREFORE, Aquila respectfully requests that the Commission consider this Response and, thereafter, issue such orders as it believes to be reasonable and just.

Respectfully submitted,



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ATTORNEYS FOR AQUILA, INC.

CERTIFICATE OF SERVICE

The undersigned certifies that a true and correct copy of the foregoing document was sent by electronic mail on January 17, 2006, to the following:

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