

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

In the Matter of the Tariffs of Aquila, Inc.,)	
d/b/a Aquila Networks - MPS and Aquila)	
Networks - L&P Increasing Electric Rates)	Case No. ER-2007-0004
for the Services Provided to Customers in)	
the Aquila Networks – MPS and Aquila)	
Networks – L&P Service Areas.)	

**RESPONSE TO STAFF’S JUNE 8, 2007, RECOMMENDATION
TO REJECT TARIFF SHEETS**

Aquila, Inc. (“Aquila” or “Company”), by its counsel, hereby responds to “Staff’s Recommendation to Reject Tariff Sheets” (“Recommendation”) that was filed on June 8, 2007. The Recommendation asks the Missouri Public Service Commission (“Commission”) to reject four revised tariff sheets that were filed by Aquila on May 25, 2007, in response to the “Order Granting Expedited Treatment, Approving Certain Tariff Sheets and Rejecting Certain Tariff Sheets,” which was issued, by delegation, that same date. Those revised tariff sheets relate to the fuel adjustment clause that was approved by the Commission’s *Report and Order* in this case. Issues related to those tariff sheets, which are raised anew in Staff’s Recommendation, also are the subject of the “Response to Staff’s Recommendation to Reject Tariff Sheets, Motion for Clarification of Report and Order, and Motion for Expedited Treatment” that Aquila filed on May 30, 2007, which remains pending.

1. As stated in its May 30th pleading, Aquila is both concerned and frustrated by Staff’s continued intransigence regarding the revised tariff sheets related to the fuel adjustment clause. As Aquila has noted in previous pleadings related to the disputed tariff sheets, no party to this case – including Staff – previously has opposed: 1) the collection of SO₂ emissions allowances through the fuel adjustment clause, or 2) the accrual of interest charges on deferred fuel and energy costs for later collection (or refund) through the fuel adjustment clause. The new

arguments made in Staff's Recommendation therefore reflect a wholesale change in Staff's position on these two issues.

2. Moreover, the standards Staff urges in its Recommendation to determine if Aquila's tariff sheets comply with the Commission's *Report and Order* are inconsistently applied. For example, Staff argues that the Commission should reject the Company's proposed tariff sheets because the *Report and Order* does not specifically provide for recovery through the fuel adjustment clause of either SO₂ emissions allowances or interest costs. But the *Report and Order* also does not specifically provide for the recovery of coal and natural gas costs – yet Staff has never claimed that Aquila's tariff sheets should be rejected because they provide for the recovery of those costs through the fuel adjustment clause. Staff's arguments, therefore, are illogical and border on sophistry.

3. Throughout this case Aquila has urged the implementation of a fuel adjustment clause that allows it to collect all of the costs called for in Section 386.266, RSMo: "prudently incurred fuel and purchased-power costs, including transportation." In its initial filing, as well as in all subsequent modifications, the Company's proposed fuel adjustment clause always has included SO₂ emissions allowances and accrued interest on deferred fuel and energy costs among the costs to be passed through the clause and collected from customers. Those costs are within the scope of the costs authorized for recovery by the statute, and no party opposed Aquila's proposal to recover those costs through the fuel adjustment clause. Yet Staff, through its Recommendation, for the first time is asking the Commission to interpret the fuel adjustment clause in a manner that is inconsistent with the Company's proposal, as understood by all parties to the case, and the statute itself. Neither the record in the case nor the Commission's Report and Order support the interpretation of the fuel adjustment clause called for in Staff's Recommendation.

WHEREFORE, for all of the previously stated reasons, Aquila asks the Commission to accept the revised tariff sheets filed on May 25, 2007, for immediate implementation and to reject Staff's Recommendation.

Respectfully submitted,

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ATTORNEYS FOR AQUILA, INC.

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the above and foregoing document was delivered by first class mail, electronic mail or hand delivery, on the 13th day of June, 2007, to the following:

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