

Exhibit No.:
Issue: QCA and the Hedging Program
Witness: Gary L. Clemens
Type of Exhibit: Rebuttal Testimony
Sponsoring Party: KCP&L Greater Missouri Operations Company
Case No.: HC-2012-0259
Date Testimony Prepared: July 2, 2012

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: HC-2012-0259

REBUTTAL TESTIMONY

OF

GARY L. CLEMENS

ON BEHALF OF

KCP&L GREATER MISSOURI OPERATIONS COMPANY

**Kansas City, Missouri
July 2012**

**Certain Schedules Attached To This Testimony Designated “Highly Confidential”
Have Been Removed
Pursuant To 4 CSR 240-2.135.**

REBUTTAL TESTIMONY

OF

GARY L. CLEMENS

Case No. HC-2012-0259

1 **Q: Please state your name and business address.**

2 A: My name is Gary L. Clemens, and my business address is 6805 N. Hardesty Avenue,
3 Kansas City, Missouri 64119.

4 **Q: By whom are you employed, what is your job title, and what are your job**
5 **responsibilities?**

6 A: I am a self-employed utility consultant.

7 **Q: Please briefly describe your education and work experience.**

8 A: I attended Northwest Missouri State University in Maryville, Missouri, from which I was
9 awarded a Bachelor of Science degree in Business Administration with a major in
10 Accounting. After graduation in 1980, I joined Aquila, Inc. (which was Missouri Public
11 Service at that time) as a Staff Accountant in Regulatory Services. From 1980 through
12 July 2008, I held various positions in the Accounting and Regulatory Services
13 departments with my final position being Senior Director of Regulatory Services.

14 **Q: Have you previously testified in a proceeding at the Missouri Public Service**
15 **Commission or before any other utility regulatory body?**

16 A: Yes, I have testified on numerous occasions before the Missouri Public Service
17 Commission, including in Case No. HC-2010-0235, which was Ag Processing Inc.'s
18 ("AGP") prior complaint related to Aquila's steam hedging program, as well as before
19 the Federal Energy Regulatory Commission.

1 **Q: On whose behalf are you testifying?**

2 A: I am testifying on behalf of KCP&L Greater Missouri Operations Company, formerly
3 known as Aquila, Inc. (generally referred to as “GMO,” “Aquila,” or “Company” below).

4 **Q: What subjects are addressed in your testimony?**

5 A: I will discuss the inclusion of natural gas hedging costs in the Nonunanimous Stipulation
6 and Agreement reached in Aquila’s 2005 steam rate case, Case No. HR-2005-0450
7 (“2005 Steam Rate Case”), in which the first Quarterly Cost Adjustment (“QCA”) was
8 implemented. In rebuttal to the Direct Testimony of AGP witness Donald E. Johnstone,
9 filed on June 1, 2012 in this case, I also will discuss: (a) the participation of AGP and its
10 representatives as a party in the 2005 Steam Rate Case, specifically in the development of
11 the QCA; (b) the agreement and understanding by all parties to the 2005 Steam Rate Case
12 that Aquila’s natural gas hedging program would be included in the QCA; (c) subsequent
13 events and discussions in 2007 and 2008 regarding the hedging program; and (d) AGP’s
14 instruction to Aquila not to sell or liquidate its remaining hedges after the hedging
15 program had been suspended.

16 **Q: In his second factor contributing to GMO’s alleged imprudence that Mr. Johnstone**
17 **provides at page 3 of his Direct Testimony, as well as at page 34 of his Direct**
18 **Testimony, Mr. Johnstone suggests that the Company did not discuss the natural**
19 **gas hedging program with the steam customers prior to implementing the program.**
20 **Is this true?**

21 A: No. I was heavily involved in Aquila’s 2005 Steam Rate Case and have personal
22 knowledge of the involvement of AGP and its representatives in the course of that case
23 and in its ultimate resolution. I can state without qualification that AGP played an

1 integral part in the development of the QCA in that case, which was designed to include a
2 program for natural gas hedging. AGP also was a party to Aquila's 2005 electric rate
3 case, Case No. ER-2005-0436 ("2005 Electric Rate Case"), in which issues regarding the
4 Company's natural gas hedging program were prominent.

5 **Q: What was AGP's involvement in the 2005 Steam Rate Case?**

6 A: AGP was fully engaged in the negotiations and drafting of the nonunanimous stipulations
7 and agreements in both the 2005 Steam Rate Case and 2005 Electric Rate Case. AGP
8 was a signatory to each of the stipulations that resolved these cases.

9 **Q: Mr. Johnstone suggests in his first factor contributing to GMO's alleged**
10 **imprudence at page 3 of his Direct Testimony, as well as at pages 10-13 of his Direct**
11 **Testimony, that the QCA mechanism rendered the hedging program**
12 **"counterproductive and not needed." Do you agree with Mr. Johnstone's**
13 **statements?**

14 A: No. To the contrary, the QCA in Aquila's 2005 Steam Rate Case was designed to
15 include a program for natural gas hedging. As Mr. Johnstone states at page 9 of his
16 Direct Testimony, he was the technical advisor to AGP during the negotiations that led to
17 the nonunanimous stipulation and agreement in Aquila's 2005 Steam Rate Case. As I
18 describe in greater detail below, Aquila's One-Third hedging strategy had been discussed
19 on several occasions with AGP beginning in the summer of 2004. No party to the 2005
20 Steam Rate Case, including AGP, raised any objections to the hedging program
21 employed by Aquila or requested that Aquila enter into a different hedging program.

1 **Q: Did the Nonunanimous Stipulation and Agreement (“Stipulation”) in the 2005**
2 **Steam Rate Case provide for a natural gas hedging program and the recovery of its**
3 **costs?**

4 A: Yes. Section 8.1 of the Stipulation provided: “The cost of gas in Account 501 will
5 include the cost of physical gas deliveries and financial instruments, when settled,
6 associated with gas delivered in the quarterly period.” See Schedule GLC-1 at 5. The
7 parties to the case discussed and understood the term “financial instruments” to mean the
8 futures contracts and option contracts that had been used in Aquila’s natural gas hedging
9 program for certain of its electric operations, and that would be used for its steam
10 operations in St. Joseph.

11 **Q: How did AGP and other parties become aware of the natural gas hedging program?**

12 A: Aquila’s response to the Commission Staff’s Data Request No. MPSC-0266 describes the
13 gas hedging program and its procedures. See Schedule GLC-2 (relevant excerpts
14 attached). This response is referenced in the Direct Testimony that Maurice Brubaker
15 filed on October 14, 2005 in both the 2005 Steam Rate Case and the 2005 Electric Rate
16 Case, which Mr. Brubaker filed on behalf of AGP.

17 On page 4 of his Direct Testimony in the 2005 Steam Rate Case, Mr. Brubaker
18 stated that Aquila had a hedging program for its purchased energy requirements and that
19 the program had been described in responses to the data requests. Mr. Brubaker stated:
20 “The purpose of a hedging program is to moderate the effects of rising and falling prices
21 of the commodity being acquired.”

1 On page 4, line 19, of his Direct Testimony Mr. Brubaker was asked: "In your
2 view, would it be appropriate to reflect the effects of the hedging program?" In response
3 Mr. Brubaker stated,

4 Yes. As noted above, the main purpose of the hedging program is to
5 dampen the price swings in the market, and to otherwise protect
6 consumers from increases in price. Unless the results of the hedging
7 program are reflected in determining the prices to be charged to
8 consumers, this objective will not be met. Rather, consumers would
9 continue to be exposed to the effects of market volatility, and the hedging
10 program would basically benefit stockholders, rather than consumers.
11 Especially in light of the high and volatile gas prices currently being
12 faced, it is appropriate for the effects of the hedging program to be
13 reflected in determining the fuel and purchase power costs properly
14 chargeable to consumers. [See Schedule WEB-7 (attached to the Rebuttal
15 Testimony of Company Witness Wm. Edward Blunk)].

16 **Q: At pages 17-18 and 33 of his Direct Testimony, Mr. Johnstone criticizes the design of**
17 **the natural gas hedging program as failing to "give due consideration to the full**
18 **range of information" and states that GMO "arbitrarily and unilaterally adopted a**
19 **variation of a hedging program it had used in its LDC and electric businesses." Do**
20 **you agree that GMO failed to adequately analyze its natural gas hedging program**
21 **before implementing it with regard to its steam operations?**

22 **A:** No. Based upon the testimony filed by Staff and by AGP in the 2005 Steam Rate Case,
23 as well as Aquila's discussions with the parties to that case, especially AGP, Aquila
24 decided to take the natural gas hedging program that had been used for its electric
25 operations and that had been discussed with Staff and other parties, and implement it with
26 respect to its steam operations in St. Joseph. Aquila would not have implemented a gas
27 hedging program for its steam operations if AGP had not requested that it do so.

1 **Q: Why did Aquila believe that the gas hedging program used for its electric operations**
2 **was an acceptable program?**

3 A: The program had been discussed on several occasions with Staff, AGP, and other parties
4 beginning in the summer of 2004. As shown in Aquila's August 10, 2005 response to
5 Staff's Data Request No. MPSC-0266, Aquila provided an update to its hedging strategy
6 in a memorandum entitled "Missouri Natural Gas & Purchase Power Hedge Strategy –
7 Implementing the Market Neutral Approach – Update" which had been prepared on
8 February 25, 2005. See Schedule GLC-2 at 2. The response to this Staff DR also
9 provided AGP and other parties with the Resource Planning presentation made to Staff
10 and the Office of the Public Counsel on July 9, 2004, which described in detail Aquila's
11 hedging strategy. See Schedule GLC-2 at 5–20. I was present at this meeting. Both of
12 these documents set forth in detail the "One-Third Strategy" pursuant to which one-third
13 of gas purchases would be set by fixed-price futures contracts, one-third by options
14 contracts, and one-third purchased on the open market. See Schedule GLC-2 at 3, 13–14.

15 No party to the 2005 Steam Rate Case, including AGP, raised any objections to
16 the hedging strategy employed by Aquila or requested that Aquila enter into a different
17 hedging program. The signatory parties to the Stipulation were Aquila, AGP, the
18 Commission's Staff, and the City of St. Joseph. The Stipulation was approved by the
19 Commission without change on February 28, 2006, effective March 6, 2006.

20 **Q: Has any other public utility commission reviewed Aquila's natural gas hedging**
21 **program?**

22 A: Yes. As discussed by Company Witness Wm. Edward Blunk in his Rebuttal Testimony,
23 Aquila presented a similar One-Third Strategy of natural gas hedging for its electricity

1 operations to the Kansas Corporation Commission (“KCC”). See Blunk Rebuttal at 20-
2 21. KCC Staff filed a memorandum in support of a proposed Stipulation and Agreement
3 that would approve the program, stating that Aquila’s natural gas hedging program is “the
4 best Staff has ever seen” and that “Aquila should be commended.” See Schedule WEB-
5 5.

6 **Q: In addition to the information on Aquila’s hedging program that was distributed to**
7 **the parties to the 2005 Steam Rate Case, how else was AGP made aware of and**
8 **involved in the decision to hedge natural gas for Aquila’s Lake Road Plant steam**
9 **customers?**

10 A: AGP participated in numerous discussions during the course of the 2005 Steam Rate
11 Case, during which the parties exchanged documents regarding what became the QCA
12 process. For example, AGP consultant and expert witness Mr. Johnstone circulated a
13 proposal on January 16, 2006 which contained a proposed Section 4.1 that stated, “The
14 cost of gas will include the cost of physical gas deliveries and financial instruments
15 associated with gas delivered in the quarterly period.” See Schedule GLC-3. This
16 concept was eventually reflected in Section 8.1 of the Stipulation, quoted above, as well
17 as in the QCA tariff sheets themselves. Numerous revisions were discussed during the
18 settlement process, but the above referenced wording remained largely unchanged and
19 was included in the final Stipulation as well as the tariff, with the minor addition that the
20 cost of gas will include the cost of physical gas deliveries and financial instruments
21 “when settled.” See Schedule GLC-1 at 5.

22 Furthermore, AGP representatives were present at the February 27, 2006 on-the-
23 record presentation in the 2005 Steam Rate Case where Aquila’s One-Third Strategy

1 hedging program for its steam operations was discussed. At that on-the-record
2 presentation, I conducted a clear discussion with both Commissioners Davis and Clayton
3 about the One-Third hedging strategy for Aquila's steam operations. Neither Mr.
4 Johnstone nor AGP counsel Stuart W. Conrad, both of whom were present, raised any
5 objection to Aquila's use of that strategy.

6 **Q: Mr. Johnstone states at pages 8-16 of his Direct Testimony that the Aquila hedging**
7 **program was not needed for steam operations because the QCA mechanism**
8 **mitigates the effect of fuel cost volatility and price spikes, and that Aquila ignored**
9 **this effect. Was the QCA designed to be a hedging program?**

10 A: No. First of all, the aspect of the QCA mechanism to which it appears Mr. Johnstone is
11 referring is the 80/20 (now 85/15) sharing formula described in Section 8 and Section 8.6
12 of the Stipulation. Under this formula, Aquila was responsible for 20% of the change in
13 fuel costs and was only permitted to charge customers 80% of the change in fuel costs.
14 Section 8.3 additionally provides that any quarterly changes in costs will be collected
15 over twelve months. This is not a hedging program.

16 Second, his discussion of coal performance standards at pages 13-16 has nothing
17 to do with price volatility and spikes in the natural gas markets. The purpose of these
18 standards was to encourage the efficient operation of the coal-fired Boiler No. 5, as
19 indicated in Section 8.2 and Appendix D to the Stipulation. Coal performance standards
20 also are not a hedging program.

21 Finally, the parties to the Stipulation, particularly Aquila and AGP, contemplated
22 that a program of financial instruments, meaning hedging, would be an integral part of
23 the overall QCA mechanism. This is demonstrated by the Direct Testimony of AGP's

1 witness Maurice Brubaker who, as noted above, recommended that the results of the
2 hedging program used by Aquila be used to formulate rates charged to customers.
3 Section 8.1 specified that the cost of natural gas “will include the cost of physical gas
4 deliveries and financial instruments, when settled, associated with gas delivered in the
5 quarterly period.” See Schedule GLC-1 at 5. Aquila implemented a natural gas hedging
6 program for its steam operations as contemplated by Section 8.1 of the Stipulation and as
7 requested by AGP.

8 The QCA is not a hedging program and coal performance standards are not a
9 hedging program. Mr. Johnstone’s remark on page 16 of his Direct Testimony that
10 “GMO proceeded as though the QCA mechanism did not exist” is totally at odds with
11 what actually occurred. Mr. Johnstone’s testimony ignores the positions taken by AGP in
12 the 2005 Steam Rate Case, including discussions in which I participated. It also is
13 contrary to the plain language of Section 8.1 of the Stipulation, which calls for “financial
14 instruments,” understood by the parties to mean the futures contracts and option
15 contracts, to be used for Aquila’s steam operations in St. Joseph.

16 **Q: Was AGP kept informed of the impact that the hedging program for Aquila’s steam**
17 **operations in St. Joseph was having on natural gas costs?**

18 A: Yes. Pursuant to the approved tariffs, a QCA filing is made quarterly through the
19 Commission’s electronic filing and information system. For example, in Case No. HR-
20 2007-0028, Aquila filed a steam tariff sheet with the current QCA data reflecting fuel
21 costs and other data for the second quarter (April–June) of 2006. Under the heading
22 “Fuel Costs - 2006” was the line item: “Hedging Costs - 2006.” With Staff’s favorable
23 recommendation, the Commission approved the tariff on August 29, 2006. See Schedule

1 GLC-4. AGP was a party to this proceeding. This process was also followed in the fall
2 of 2006, of which AGP received notice. See Schedule GLC-5.

3 Each of these QCA filings included the calculation of the new QCA rate, which
4 specified gas hedging costs as a separate item within the accumulation of the quarterly
5 fuel costs. AGP received and reviewed these QCA filings, but raised no objection to
6 these costs at the time of review or shortly thereafter.

7 **Q: After the QCA process and the hedging program for steam operations was**
8 **implemented, did representatives of AGP comment on the results of the program?**

9 A: Yes. On numerous occasions during 2007 and 2008 I and other Aquila representatives,
10 particularly Dennis Williams and Davis Rooney, met with representatives of AGP, in
11 particular Mr. Johnstone and Mr. Conrad. The price of natural gas had fallen
12 substantially in 2006 and 2007, and the projections of steam usage provided by Aquila's
13 Lake Road Plant steam customers fell short. Consequently, the hedging program
14 produced losses. Beginning in the fall of 2007, Aquila asked AGP for its feedback on the
15 hedging program, including whether it should be changed or discontinued. In response to
16 these requests and after some discussion, Mr. Johnstone sent me an email dated October
17 30, 2007 that confirmed AGP's request that Aquila suspend the gas hedging program as it
18 related to the steam operation effective November 1, 2007. See Schedule GLC-6. Aquila
19 complied with this request.

1 **Q: Did Aquila continue to meet with AGP representatives with regard to the steam**
2 **hedging program and hedging issues?**

3 A: Yes. From the fall of 2007 into the summer of 2008 until the time that Aquila was
4 acquired by Great Plains Energy Incorporated, I and other Aquila representatives met
5 with Mr. Johnstone and Mr. Conrad about these issues.

6 **Q: Mr. Johnstone notes in his tenth point at page 4 of his Direct Testimony that “GMO**
7 **states that it could have cashed out of the troubled program in the spring of 2008**
8 **with roughly a \$2,000,000 surplus.” Why did Aquila choose not to “cash out” its**
9 **steam hedging program at that time?**

10 A: Aquila did not “cash out” its steam hedging program in the spring of 2008 because AGP
11 directed Aquila to do nothing with its existing hedge positions. Aquila representatives
12 met with Staff and AGP representatives, including Mr. Johnstone and Mr. Conrad, in the
13 spring of 2008 at the Lake Road Plant to discuss the current state of the natural gas hedge
14 portfolio. I did not view these meetings as settlement discussions. Rather, we met to
15 exchange information and discuss how Aquila could manage the steam business to
16 AGP’s satisfaction.

17 No new hedges had been placed since November 2007 and in mid-2008 the
18 natural gas hedge portfolio was “in the money,” meaning that it had a positive value. On
19 previous occasions in 2007, the portfolio had been “out of the money,” meaning that it
20 had a negative value. In the spring of 2008, we sought AGP’s opinions with regard to
21 what it wanted Aquila to do. We were advised by Mr. Johnstone and Mr. Conrad to do
22 nothing. Therefore, Aquila did not take any action to sell or liquidate the hedges at that
23 time.

1 **Q: In his discussion of the steam hedging program’s “wind down” at page 8 of his**
2 **Direct Testimony, Mr. Johnstone criticizes GMO for letting its hedge program**
3 **“simply run its course.” Why did GMO take no steps to sell or liquidate its hedges**
4 **after it suspended the program in November 2007?**

5 A: Aquila let the hedging program “run its course” at the instruction of AGP. At the
6 meeting with Mr. Johnstone, Mr. Conrad, and Staff at the Lake Road Plant in the spring
7 of 2008, described above, Aquila offered to liquidate the hedges already set, but AGP
8 told Aquila to do nothing at that time. Aquila never received other instruction from AGP,
9 and therefore did not take any action to sell or liquidate the hedges.

10 **Q: Does that conclude your testimony?**

11 A: Yes, it does.

Ag Processing, Inc.,)	
Complainant,)	
)	
v.)	Case No. HC-2012-0259
)	
KCP&I Greater Missouri Operations Company,)	
Respondent,)	

STATE OF MISSOURI)
) ss
COUNTY OF JACKSON)

1. My name is Gary L. Clemens. I work in Kansas City, Missouri, and I am self-employed as a utility consultant.

2. Attached hereto and made a part hereof for all purposes is my Rebuttal Testimony on behalf of KC&PL Greater Missouri Operations Company consisting of twelve (12) pages, having been prepared in written form for introduction into evidence in the above-captioned docket.

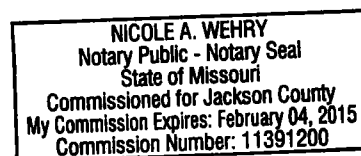
3. I have knowledge of the matters set forth therein. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded, including any attachments thereto, are true and accurate to the best of my knowledge, information and belief.

Gary L. Clemens
Gary L. Clemens

Subscribed and sworn before me this 2nd day of July, 2012.

Nicol A. Weef
Notary Public

My commission expires: Feb. 1 2015



SCHEDULE GLC-1

STATE OF MISSOURI
MISSOURI PUBLIC SERVICE COMMISSION

In the matter of Aquila, Inc. d/b/a)	
Aquila Networks-L&P, for authority)	
to file tariffs increasing steam)	HR-2005-0450
rates for the service provided to)	
customers in the Aquila Networks-)	
L&P area.)	

NONUNANIMOUS STIPULATION AND AGREEMENT

COME NOW Aquila, Inc. d/b/a Aquila Networks - L&P ("Aquila"), the Staff of the Missouri Public Service Commission ("Staff"), Ag Processing, Inc. ("AGP"), and the City of St. Joseph, Missouri ("St. Joseph") (collectively "the Signatory Parties") and state to the Missouri Public Service Commission ("Commission") as follows:

PROCEDURAL BACKGROUND

1. Aquila, doing business as Aquila Networks-L&P, serves steam customers in an area that includes St. Joseph, Missouri (the "L&P service area"). On May 27, 2004, Aquila submitted to the Commission revised tariff sheets designed to increase rates for steam service Aquila provides to its steam customers in the L&P service area. The tariff sheets bore an effective date of June 26, 2005, and were designed to produce an

annual increase of \$5,000,000, exclusive of applicable fees and taxes.

2. On June 1, 2005, the Commission issued its Order suspending the effective date of the tariff sheets until April 24, 2006. Thereafter, various parties intervened in this proceeding. By order issued July 21, 2005, the Commission established a procedural schedule. Thereafter the Commission continued the commencement of the hearing from time-to-time. During these continuances, Aquila and AGP met for the purpose of exploring settlement of the outstanding issues. As a result of those discussions and negotiations, the Signatory Parties have resolved as among themselves all remaining issues in this case and stipulate and agree as follows:

RESOLUTION OF ISSUES

Revenue Requirement.

3. The proposed steam service tariff sheets filed by Aquila with the Commission on May 27, 2005, should be rejected and Aquila should be authorized to file with the Commission revised tariff sheets containing rate schedules for steam service in its L&P service area that are designed to produce an increase in base overall gross annual steam revenues, exclusive of applicable fees and taxes, in the amount of \$4,500,000.

Goal for Effective Date of Rates.

4. The Signatory Parties agree to a goal of a March 1, 2006 effective date for the tariff sheets agreed to herein. In the event the Commission does not deem the March 1, 2006 effective date to be practicable, the Signatory Parties urge the Commission to permit the rate increase to take effect as soon thereafter as possible. The Commission, in any order approving this Nonunanimous Stipulation and Agreement, for good cause shown pursuant to Section 393.143(11), should authorize Aquila to file tariff sheets in conformance with the tariff sheets attached hereto for illustrative purposes as Appendix A, said tariffs to have an effective date of March 1, 2006, or such other date as is ordered, less than thirty (30) days from the filing date, without the necessity of Aquila filing a separate motion seeking such authorization.

Rate Design.

5. The increase in revenues will be accomplished by increasing each rate element on an equal percentage basis. Said percentage is approximately 37.48% and is calculated by dividing the agreed-to increase of \$4,500,000 by the Staff's adjusted steam revenues of \$12,006,485 for calendar year 2004, updated through June 30, 2005, as shown in Schedule 2 attached to the

prefiled direct testimony of Janice Pyatte (a copy of which is attached hereto as Appendix B).

Reliability Study.

6. At its cost, Aquila will perform a study of recent reliability problems as recommended in the direct testimony of AGP witness Johnstone. Aquila will identify solutions and report to the Commission Staff and interested parties within 90 days after the final order in this proceeding.

System Resource Study.

7. At its cost, Aquila will perform a system resource study as recommended in the direct testimony of AGP witness Johnstone. Aquila will incorporate applicable results of the reliability study referred to in paragraph 6 above into the steam system resource study, identify economical system resource options, and report the study results to the Commission Staff and interested parties within 240 days after the final order in this proceeding.

Fuel Cost Customer/Utility Alignment Mechanism.

8. Aquila will file rate adjustments quarterly to reflect 80% of the change in the actual fuel costs above or below a base amount of \$3.005 per million BTU.

8.1. The cost of fuel will be the amounts expensed in Account 501. The amounts expensed will continue to be based on the cost definitions currently used for the inclusion of costs in this account and on the currently used cost allocation methods, as explained in some additional detail: The cost of gas in Account 501 will include the cost of physical gas deliveries and financial instruments, when settled, associated with gas delivered in the quarterly period. The cost of coal expenses to Account 501 will continue to reflect the average cost of coal inventory and the cost allocation method(s) described in the excerpt of the direct testimony of Mr. Tim Nelson prefiled in this case, a copy of which is attached hereto as Appendix C.

8.2. For purposes of the quarterly rate adjustments, there will be defined minimum amounts of coal generation per Appendix D. If coal generation falls below any defined minimum amount, additional coal generation will be imputed up to the defined minimum at a cost according to the attached provision and the amount of natural gas fired generation will be reduced for the purposes of the fuel rate adjustments by a like amount according to economic dispatch principles. Aquila agrees that it will not seek an accounting authority order for fuel costs incurred, but not recovered, due to operation of this minimum coal provision. Further, Aquila will not attempt to recover from its electric customers costs not fully paid for from its steam

operations that should be properly paid for by steam customers absent the agreement to impute coal generation to a defined minimum. As an example, Aquila will not seek to recover steam operation costs from Aquila's electric customers for any costs relating to the coal imputation discussed above.

8.3. Aquila will make quarterly filings with the Commission to adjust the fuel rider. Each quarterly rate adjustment will include the fuel costs from the preceding quarter. The quarterly fuel rider factors will be calculated by dividing the fuel costs by the preceding twelve month billing determinants; provided, however, that any steam load that increases or decreases expected BTU billing units by more than 5 percent can be added or subtracted to the historic billing determinants for the purpose of the quarterly fuel rider computation and rate. Each quarterly rate adjustment will remain in effect for twelve months.

8.4. As detailed below, there will be prudence reviews and true-up of revenues collected and costs. A reconciliation account shall be created to track, adjust and return true-up amounts and prudence amounts not otherwise refunded. The difference between the costs intended for recovery and revenues collected will be tracked in a reconciliation account. Fuel costs collected in rates will be refundable based on true-up results and findings in regard to prudence. Adjustments, if any,

necessary by Commission order pursuant to any prudence review shall also be placed in the reconciliation account for collection unless a separate refund is ordered by the Commission. A reconciliation rate shall be established at a level designed to bring the reconciliation account to zero over a period of not less than 12 months and not more than 24 months. The rate may be adjusted quarterly.

8.5. The fuel rate adjustment will not include carrying costs related to the timing of fuel cost recovery.

8.6. In consideration of the sharing provisions of the fuel rate mechanism, and the intent to rely on an alignment of customer and Company interests in efficient operations, a two-step approach to prudence review will be followed. In step one the Staff will review to ascertain:

8.6.1. that the concept of aligning of company and customer interests is working as intended; and,

8.6.2. that no significant level of imprudent costs is apparent.

8.7. This review may be entirely a part of surveillance activity. Aquila steam customers in the L&P service area will be given timely notice of the results of the step one review. In consideration of Step one results, the Staff may proceed with a full prudence review, if deemed necessary. Such full prudence review shall be conducted no more often than once

every 12 months and shall concern the prior 12 month period or calendar year only, provided however that the full prudence review addressing the first partial year, if pursued, will be included with a full prudence review of the first full calendar year of operation of this rate mechanism.

8.8. Any Aquila steam customer or group of steam customers in the L&P service area may make application to initiate a complaint for the purpose of pursuing a prudence review by use of the existing complaint process. The application for the complaint and the complaint proceeding will not be prejudiced by the absence of a step two prudence review by Staff.

8.9. Pursuant to any prudence review of fuel costs, whether by the Staff or Aquila steam customer(s), there will be no rate adjustment unless the resulting prudence adjustment amount exceeds 10 percent of the total of the fuel costs incurred in an annual review period.

8.10. The fuel rate adjustment mechanism will be set forth in a rate schedule of general applicability.

9. Aquila will continue to allocate the cost of Lake Road operations between steam and electric in the Aquila Networks -- L&P division, and between steam and Aquila, Inc. and any other entities, in accordance with recent practice and as set forth in the steam cost allocation manual and as provided in stipulated agreements in Commission Case Nos. ER-2004-0034 combined with HR-

2004-0024 and incorporating the agreements from Case No. EO-94-36. The allocation method(s) will continue until another approach is presented and approved or agreed among parties in a general rate proceeding.

10. An application for a steam general rate proceeding will not be filed prior to January 1, 2007, unless the reliability study required by Paragraph 6 above or the system resource study required by Paragraph 7 above results in actions, improvements, changes in operating procedures, or projects placed in service before September 1, 2007, which would increase annual steam system revenue requirements by 10% or more.

11. Surveillance:

Quarterly Requirements:

11.1. Monthly reports labeled "Management Report - Steam (Attachment S-1);

11.2. Monthly reports labeled "Plant Statistics" (Attachment S-2);

11.3. Relevant pages from IEC reports including the monthly fuel report concerning Lake Road production statistics (Attachment S-3).

Steam Service Agreement.

12. The Aquila/AGP Steam Service Agreement dated April 22, 2004 will be amended for the purpose of extending the term of

the contract and all provisions including the pricing provisions, to April 21, 2010. The Aquila/AGP letter agreement dated March 22, 2004 will continue in effect. Aquila agrees that for future ratemaking determinations, AGP will be treated as if it were paying the full tariff rate.

Agreements Not Prejudicial.

13. Agreements in this proceeding will not prejudice any party or be determinative of a particular cost allocation approach that could be adopted by the Commission in a proceeding affecting Aquila's electric or steam rates. The absence of an imprudence finding in the context of the steam fuel rate mechanism will not prejudice any party or be determinative in an Aquila electric rate proceeding.

14. None of the signatories to this Nonunanimous Stipulation and Agreement shall be deemed to have approved or acquiesced by their agreement to the fuel adjustment mechanism in this case that the Commission should adopt the same, or a similar, fuel adjustment mechanism by a rulemaking, including, but not limited to, rules the Commission may promulgate under Section 386.266 RSMo Supp 2005 (Senate Bill 179).

GENERAL PROVISIONS

Admission of Party Testimony.

15. The Signatory Parties agree that, in the event the Commission approves this Nonunanimous Stipulation and Agreement without modification or condition, then the prefiled testimony of all witnesses in this proceeding may be included in the record of this proceeding, without the necessity of such witnesses taking the stand.

Contingent Waiver of Rights.

16. This Nonunanimous Stipulation and Agreement is being entered into solely for the purpose of settling all issues in this case as among the Signatory Parties. None of the signatories to this Nonunanimous Stipulation and Agreement shall be deemed to have approved or acquiesced in any ratemaking or procedural principle, including, without limitation, any method of cost determination or cost allocation or revenue related methodology, and none shall be prejudiced or bound in any manner by the terms of this Nonunanimous Stipulation and Agreement in this or any other proceeding, whether this Nonunanimous Stipulation and Agreement is approved or not, except as otherwise expressly specified herein.

17. This Nonunanimous Stipulation and Agreement has resulted from extensive negotiations among Aquila and AGP, and the terms hereof are interdependent. In the event the Commission

does not unconditionally approve this Nonunanimous Stipulation and Agreement, then this Nonunanimous Stipulation and Agreement shall be void and no Signatory Party shall be bound by any of the agreements or provisions hereof, except as otherwise provided herein.

18. If the Commission does not unconditionally approve this Nonunanimous Stipulation and Agreement without modification, and notwithstanding its provision that it shall become void therein, neither this Nonunanimous Stipulation and Agreement, nor any matters associated with its consideration by the Commission, shall be considered or argued to be a waiver of the rights that any party has for a decision in accordance with §536.080 RSMo 2000 or Article V, Section 18 of the Missouri Constitution, and the Signatory Parties shall retain all procedural and due process rights as fully as though this Nonunanimous Stipulation and Agreement had not been presented for approval, and any suggestions or memoranda, testimony or exhibits that have been offered or received in support of this Nonunanimous Stipulation and Agreement shall become privileged as reflecting the substantive content of settlement discussions and shall be stricken from and not be considered as part of the administrative or evidentiary record before the Commission for any further purpose whatsoever.

19. In the event the Commission accepts the specific terms of this Nonunanimous Stipulation and Agreement, the Signa-

tory Parties waive their respective rights to call and to cross-examine witnesses pursuant to § 536.070(2); present oral argument and written briefs pursuant to §536.080.1 RSMo 2000; their respective rights to the reading of the transcript by the Commission pursuant to §536.080.2 RSMo 2000; their respective rights to seek rehearing, pursuant to §386.500 RSMo 2000; and their respective rights to judicial review pursuant to §386.510 RSMo 2000. This waiver applies only to a Commission Order respecting this Nonunanimous Stipulation and Agreement issued in this proceeding, and does not apply to any matters raised in any other Commission proceeding, or any matters not explicitly addressed by this Nonunanimous Stipulation and Agreement.

Staff Right to Disclose.

20. The Staff shall file suggestions or a memorandum in support of this Nonunanimous Stipulation and Agreement. Each of the parties shall be served with a copy of any such suggestions or memorandum and shall be entitled to submit to the Commission, within five (5) days of receipt of Staff's suggestions or memorandum, responsive suggestions or a responsive memorandum which shall also be served on all parties. The contents of any suggestions or memorandum provided by any party are its own and are not acquiesced in or otherwise adopted by the other signatories to this Nonunanimous Stipulation and Agreement,

whether or not the Commission approves and adopts this Nonunanimous Stipulation and Agreement.

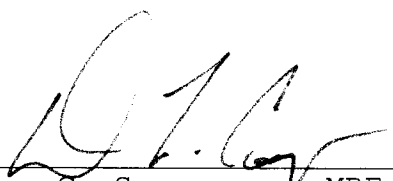
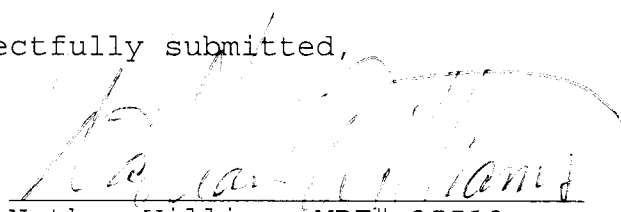
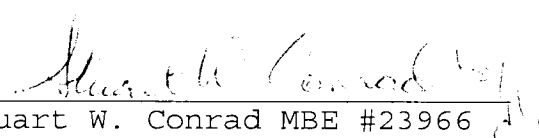
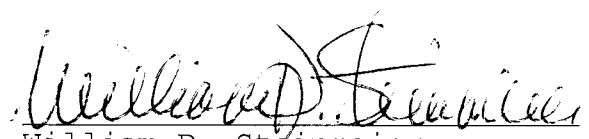
21. At any Commission agenda meeting at which this Nonunanimous Stipulation and Agreement is noticed to be considered by the Commission, the Staff shall have the right to provide, whatever oral explanation the Commission requests, provided that the Commission and Staff shall, to the extent reasonably practicable, provide the other parties with advance notice of when the Staff shall respond to the Commission's request for such explanation once such explanation is requested from the Staff. The Staff's oral explanation, if provided at a meeting where the advanced notice was less than 5 days, shall be disclosed to all the parties, and to the extent it refers to matters that are either privileged as a result of participation in settlement discussions, or are protected from disclosure pursuant to any protective order issued in this case the disclosure shall have appropriate protections. If the Staff is not a signatory or non-opposing party, Staff shall have only those rights that are afforded to any other party in a proceeding before the Commission.

Integration.

22. This Nonunanimous Stipulation and Agreement incorporates the agreements of the Signatory Parties on all issues that the Signatory Parties presented to the Commission as issues to be decided in Case No. HR-2005-0450.

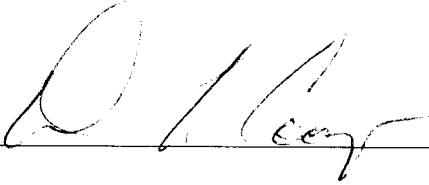
WHEREFORE, for the foregoing reasons, the Signatory Parties respectfully request that the Commission issue its Order approving all of the specific terms and conditions of this Nonunanimous Stipulation and Agreement.

Respectfully submitted,


James C. Swearengen MBE #21510
Dean L. Cooper MBE #36592
BRYDON, SWEARENGEN & ENGLAND
P.C.
P.O. Box 456
Jefferson City, MO 65102
573/635-7166
573/635-0427 (Fax)
ATTORNEYS FOR AQUILA, INC.
Nathan Williams MBE# 35512
Missouri Public Service Com-
mission
Box 360
Jefferson City, MO 65102
ATTORNEY FOR THE STAFF OF THE
MISSOURI PUBLIC SERVICE COM-
MISSION
Stuart W. Conrad MBE #23966
Finnegan, Conrad & Peterson
L.C.
1209 Penntower Center
3100 Broadway
Kansas City, MO 64111
ATTORNEYS FOR AG PROCESSING
INC.
William D. Steinmeier
MBE#25689
William D. Steinmeier, P.C.
2031 Tower Drive
P.O. Box 104595
Jefferson City, MO 65110-4595
ATTORNEY FOR THE CITY OF ST.
JOSEPH, MISSOURI

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the above and foregoing document was sent by electronic mail on this 17th day of February, 2006, to the Parties of record as shown by the Commission's records.



SCHEDULE GLC-2

SCHEDULE GLC-2

**THIS DOCUMENT CONTAINS
HIGHLY CONFIDENTIAL
INFORMATION NOT AVAILABLE
TO THE PUBLIC**

HC

SCHEDULE GLC-3

SCHEDULE GLC-3

**THIS DOCUMENT CONTAINS
HIGHLY CONFIDENTIAL
INFORMATION NOT AVAILABLE
TO THE PUBLIC**

SCHEDULE GLC-4

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION**

At a session of the Public Service
Commission held at its office in
Jefferson City on the 29th day
of August, 2006.

In the Matter of Aquila, Inc. d/b/a Aquila Networks–L&P,)
for Authority to File Tariffs Changing the Steam Quarterly)
Cost Adjustment for Service Provided to Customers in the)
Aquila Networks–L&P Service Territory.)
Case No. HR-2007-0028
Tariff No. YH-2007-0027

**ORDER APPROVING TARIFF SHEET FILED IN COMPLIANCE
WITH COMMISSION'S ORDER**

Issue Date: August 29, 2006

Effective Date: September 1, 2006

On July 14, 2006, Aquila, Inc., d/b/a Aquila Networks–L&P, submitted a proposed tariff sheet. The proposed tariff sheet contains a quarterly cost adjustment to allow customer rates to change with fuel cost changes. The tariff sheet was filed pursuant to the terms of the Stipulation and Agreement approved by the Commission in Case No. HR-2005-0450. Aquila's tariff sheet has a proposed effective date of September 1, 2006.

The Commission sent notice of the filing to all parties to HR-2005-0450. Ag Processing Inc., intervened in the case but did not object to the tariff or request a hearing. On August 17, 2006, the Staff of the Missouri Public Service Commission filed a recommendation. Staff states that it has reviewed Tariff No. YH-2007-0027 and is of the opinion that it is in compliance with the Commission's order. Staff recommends that the Commission approve the proposed tariff sheet to become effective on September 1, 2006. The Commission has reviewed Aquila's tariff sheet and Staff's verified recommendation,

which is hereby admitted into evidence. Based on these filings, the Commission finds that the tariff sheet is in compliance with the Commission's previous order and shall be approved as ordered below.

IT IS ORDERED THAT:

1. Tariff No. YH-2007-0027, submitted on July 14, 2006, is hereby approved for steam service rendered on or after September 1, 2006. The tariff sheet approved is:

P.S.C. MO. No. 1

1st Revised Sheet No. 6.5, Canceling Original Sheet No. 6.5

2. This order shall become effective on September 1, 2006.
3. This case shall close on September 2, 2006.

BY THE COMMISSION



Colleen M. Dale
Secretary

(S E A L)

Davis, Chm., Murray, Clayton,
and Appling, CC., concur.
Gaw, C., dissents.

Dippell, Deputy Chief Regulatory Law Judge

Matt Tracy
Regulatory Manager
Regulatory Services

Aquila Networks
MSC 8-230
20 West 9th Street
Kansas City, MO 64105
816-467-3766
816-467-9766 fax
matt.tracy@aquila.com



Aquila

July 14, 2006

Ms. Colleen Dale
Missouri Public Service Commission
200 Madison Street, Suite 100
P.O. Box 360
Jefferson City, MO 65102-0360

Ms. Dale:

Filed through EFIS is the following **steam** tariff sheet for filing on behalf of Aquila, Inc., d/b/a Aquila Networks – L&P (“L&P”), providing the current Quarterly Cost Adjustment per the Stipulation and Agreement in Case No. HR-2005-0450. The tariff sheet, listed below, has an effective date of September 1, 2006.

Also filed are two worksheets showing the calculation of the new rate.

Aquila Networks, PSC Mo. No. 1, Steam Rates, Effective September 1, 2006
1st Revised Sheet No. 6.5, canceling Original Sheet No. 6.5

Attachments

cc: Office of the Public Counsel

STATE OF MISSOURI, PUBLIC SERVICE COMMISSION

P.S.C. MO. No. 1 1stRevised Sheet No. 6.5Canceling P.S.C. MO. No. 1Original Sheet No. 6.5**Aquila, Inc., dba****AQUILA NETWORKS**

For St. Joseph, MO & Environs

KANSAS CITY, MO 64138

QUARTERLY COST ADJUSTMENT RIDER (Continued) STEAM
--

RATE:

Current Quarterly Cost Adjustment Table:

<u>Period</u>	<u>First Effective Date</u>	<u>Last Effective Date</u>	<u>CQCA (by Quarter)</u>
2006 Q2	9/1/2006	8/31/2007	\$0.0074

Reconciliation Table:

<u>Period</u>	<u>First Effective Date</u>	<u>Months</u>	<u>Last Effective Date</u>	<u>Monthly Recon (by Quarter)</u>
2006 Q2				

Quarterly Cost Adjustment Table:

<u>Period</u>	<u>First Effective Date</u>	<u>Last Effective Date</u>	<u>Monthly QCA</u>
2006 Q2	9/1/2006	11/30/2006	\$0.0074

Credits are shown in parentheses, e.g. (\$.05).

Issued: July 14, 2006

Effective: September 1, 2006

Issued by: Gary Clemens, Regulatory Services

[illegible]

Total Steam mmBtu Sales - 2005

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Total
Total Steam mmBtu Sales - 2005	153,595	152,746	135,482	143,887	150,013	148,494	156,683	154,069	174,829	177,691	165,112	185,313	1,897,914
Fuel Costs - 2006													
Coal Costs - 2006	\$ 686,093	\$ 649,717	\$ 621,350	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,957,160
Gas Costs - 2006	\$ 375,339	\$ 346,688	\$ 304,349	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Oil Costs - 2006	\$ 297,344	\$ 272,149	\$ 233,521	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Hedge Costs - 2006	\$ 13,410	\$ 30,880	\$ 83,480	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Coal mmBtu Input Blr Nos. 5	mmBtu 183,325	190,085	152,100	-	-	-	-	-	-	-	-	-	525,510
Gas mmBtu Input Blr Nos. 1-5	mmBtu 41,605	39,595	36,421	-	-	-	-	-	-	-	-	-	117,621
No. 2 Oil mmBtu Input Blr Nos. 1-4	mmBtu -	-	-	-	-	-	-	-	-	-	-	-	0
Blr 1-5 Fuel to Steam Input	mmBtu 224,930	229,680	188,521	0	0	0	0	0	0	0	0	0	643,131

Production Test - Q1
Production Test - Q2
Production Test - Q3
Production Test - Q4

mmBtu	525,510
mmBtu	
mmBtu	
mmBtu	

Production Coal Costs - Q1
Production Coal Costs - Q2
Production Coal Costs - Q3
Production Coal Costs - Q4
Production Gas Costs - Q1
Production Gas Costs - Q2
Production Gas Costs - Q3
Production Gas Costs - Q4

mmBtu	202,635	195,170	159,314	177,341	198,924	188,724	187,991	187,887	190,423	110,912	188,695	196,088	2,184,104
mmBtu			495,695			495,695			495,695			495,695	
mmBtu						1,052,814			1,052,814			1,052,814	
mmBtu									1,617,803			1,617,803	
mmBtu												2,184,104	

Total Steam mmBtu Sales - 2006

mmBtu	177,967	187,426	185,460	0	0	0	0	0	0	0	0	0	530,853
Quarterly Fuel Costs - Actual	\$		1,957,160	0	0	0	0	0	0	0	0	0	0
Production Standards - Coal			0	0	0	0	0	0	0	0	0	0	0
Production Standards - Gas			0	0	0	0	0	0	0	0	0	0	0
Quarterly Fuel Costs - Adjusted	\$		1,957,160	0	0	0	0	0	0	0	0	0	0
Quarterly Blr 1-5 Fuel to Steam Input	mmBtu		643,131	0	0	0	0	0	0	0	0	0	0
Base fuel amount (per million BTU)	mmBtu	3.0050	3.0050	3.0050	3.0050	3.0050	3.0050	3.0050	3.0050	3.0050	3.0050	3.0050	3.0050
Quarterly Fuel Costs - Collected	\$		3.0432	3.0050	3.0050	3.0050	3.0050	3.0050	3.0050	3.0050	3.0050	3.0050	3.0050
(Over) or Under Collected Fuel Costs	\$		1,932,609	0	0	0	0	0	0	0	0	0	0
Reflect 80% change in actual fuel costs	\$		24,551	0	0	0	0	0	0	0	0	0	0
Rolling 12-months Steam Btu Sales	mmBtu		19,641	0	0	0	0	0	0	0	0	0	0
Quarterly Cost Adjustment			2,438,370	0	0	0	0	0	0	0	0	0	0
Cumulative - QCA			0.0074	0.0074	0.0074	0.0074	0.0074	0.0074	0.0074	0.0074	0.0074	0.0074	0.0074

Note: (1,625) carry forward from March 6-31.

SCHEDULE GLC-5

Featherstone, Cary

From: Braun, Susan [Susan.Braun@aquila.com]
: Monday, October 16, 2006 1:18 PM
To: Mantle, Lena; McDuffey, Mack; Imhoff, Tom; Featherstone, Cary
Cc: stucon@fcplaw.com; DonaldCEDLLC@sbcglobal.net; dcooper@brydonlaw.com; Tracy, Matt; Clemens, Gary
Subject: Quarterly Cost Adjustment Filing for Q306
Attachments: QCA Q306 Letter.pdf; QCA Q306 Tariff.pdf; QCA Q306 Calculation.pdf; QCA - Q306.xls; MoSteamQCA200610Redline.doc

The attached documents were filed today in EFIS to adjust the QCA for Aquila Networks - L&P industrial steam customers per the Stipulation and Agreement in HR-2005-0450. The tracking number for the tariff is YH-2007-0027, and the Case No. is HR-2007-0028. Also attached, is the work paper detail supporting the QCA -Q306 calculation and the redline version of the tariff. If you have any questions, please do not hesitate to give me a call.

<<QCA Q306 Letter.pdf>> <<QCA Q306 Tariff.pdf>> <<QCA Q306 Calculation.pdf>> <<QCA - Q306.xls>>
<<MoSteamQCA200610Redline.doc>>

Thanks,

Susan Braun
MO-Regulatory Services
Aquila, Inc.
susan.braun@aquila.com
Ph: 816-467-3808
Fax: 816-467-9808

Susan Braun
Manager - Missouri
Regulatory Services

Aquila Networks
MSC 8-175
20 West 9th Street
Kansas City, MO 64105
816-467-3808
816-467-9808 fax
susan.braun@aquila.com



Aquila

October 16, 2006

Ms. Colleen Dale
Missouri Public Service Commission
200 Madison Street, Suite 100
P.O. Box 360
Jefferson City, MO 65102-0360

Re: HR-2007-0028

Ms. Dale:

Filed through EFIS is the following **steam** tariff sheet for filing on behalf of Aquila, Inc., d/b/a Aquila Networks – L&P (“L&P”), providing the current Quarterly Cost Adjustment initiated in Case No. HR-2007-0028. The tariff sheet, listed below, has an effective date of December 1, 2006.

Also filed are two worksheets showing the calculation of the new rate.

Aquila Networks, PSC Mo. No. 1, Steam Rates, Effective December 1, 2006

2nd Revised Sheet No. 6.5, canceling 1st Revised Sheet No. 6.5

Attachments

cc: Office of the Public Counsel

STATE OF MISSOURI, PUBLIC SERVICE COMMISSION

P.S.C. MO. No. 1 2nd Revised Sheet No. 6.5
 Canceling P.S.C. MO. No. 1 1st Revised Sheet No. 6.5

Aquila, Inc., dba

AQUILA NETWORKS

KANSAS CITY, MO 64138

For St. Joseph, MO & Environs

QUARTERLY COST ADJUSTMENT RIDER (Continued) STEAM
--

RATE:

Current Quarterly Cost Adjustment Table:

<u>Period</u>	<u>First Effective Date</u>	<u>Last Effective Date</u>	<u>CQCA (by Quarter)</u>
2006 Q3	12/1/2006	11/30/2007	(\$0.0924)
2006 Q2	9/1/2006	8/31/2007	\$0.0074

Reconciliation Table:

<u>Period</u>	<u>First Effective Date</u>	<u>Months</u>	<u>Last Effective Date</u>	<u>Monthly Recon (by Quarter)</u>
2006 Q3				
2006 Q2				

Quarterly Cost Adjustment Table:

<u>Period</u>	<u>First Effective Date</u>	<u>Last Effective Date</u>	<u>Monthly QCA</u>
2006 Q3	12/1/2006	2/28/2007	(\$0.0850)
2006 Q2	9/1/2006	11/30/2006	\$0.0074

Credits are shown in parentheses, e.g. (\$.05).

Issued: October 16, 2006

Issued by: Gary Clemens, Regulatory Services

Effective: December 1, 2006

Total Steam mmBtu Sales - 2005

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Total
Fuel Costs - 2006	153,595	152,746	135,482	143,887	150,013	147,904	156,683	154,069	174,829	177,691	165,112	185,313	1,897,324
Coal Costs - 2006	686,093	649,717	621,350	718,562	801,879	642,378	0	0	0	0	0	0	4,119,979
Gas Costs - 2006	375,339	346,688	304,349	236,870	202,974	303,493	-	-	-	-	-	-	-
Oil Costs - 2006	297,344	272,149	233,521	369,821	545,505	267,325	-	-	-	-	-	-	-
Hedge Costs - 2006	13,410	30,880	83,480	111,870	53,400	71,560	-	-	-	-	-	-	-
Coal mmBtu Input Blr Nos. 5	183,325	190,085	152,100	129,701	123,344	181,011	-	-	-	-	-	-	959,566
Gas mmBtu Input Blr Nos. 1-5	41,605	39,595	36,421	55,337	81,273	34,538	-	-	-	-	-	-	288,769
No. 2 Oil mmBtu Input Blr Nos. 1-4	-	-	-	-	-	-	-	-	-	-	-	-	0
Blr 1-5 Fuel to Steam Input	224,930	229,680	188,521	185,038	204,617	215,549	0	0	0	0	0	0	1,248,335

mmBtu
mmBtu
mmBtu
mmBtu

Production Test - Q1
Production Test - Q2
Production Test - Q3
Production Test - Q4

Production Coal Costs - Q1
Production Coal Costs - Q2
Production Coal Costs - Q3
Production Coal Costs - Q4

Production Gas Costs - Q1
Production Gas Costs - Q2
Production Gas Costs - Q3
Production Gas Costs - Q4

Appendix D

Production Standards - Q1	202,635	195,170	159,314	177,341	198,924	188,724	187,991	187,887	190,423	110,912	188,695	196,088	2,184,104
Production Standards - Q2			495,695			495,695			495,695			495,695	
Production Standards - Q3						1,052,814			1,052,814			1,052,814	
Production Standards - Q4									1,617,803			1,617,803	
												2,184,104	

Total Steam mmBtu Sales - 2006

mmBtu	177,967	187,426	165,460	166,451	175,898	172,333	0	0	0	0	0	0	1,045,535
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Quarterly Fuel Costs - Actual
Production Standards - Coal
Production Standards - Gas
Quarterly Fuel Costs - Adjusted
Quarterly Blr 1-5 Fuel to Steam Input

Base fuel amount (per million BTU)
Quarterly Fuel Costs - Collected
(Over) or Under Collected Fuel Costs
Reflect 80% change in actual fuel costs
Rolling 12-months Steam Btu Sales
Quarterly Cost Adjustment
Cumulative - QCA

\$	1,957,160	1,957,160	0	0	0	2,162,819	0	0	0	0	0	0	0
\$	0	0	0	0	0	159,691	0	0	0	0	0	0	0
\$	1,957,160	1,957,160	0	0	0	(773,388)	0	0	0	0	0	0	0
mmBtu	643,131	643,131	0	0	0	1,549,121	0	0	0	0	0	0	0
mmBtu	3,0432	3,0432	3,0050	3,0050	3,0050	2,5597	3,0050	3,0050	#DIV/0!	3,0050	3,0050	#DIV/0!	0
\$	1,932,609	1,932,609	3,0050	3,0050	3,0050	1,818,638	3,0050	3,0050	3,0050	3,0050	3,0050	3,0050	0
\$	24,551	24,551	24,551	24,551	24,551	(269,517)	0	0	0	0	0	0	0
\$	19,641	19,641	19,641	19,641	19,641	(215,613)	0	0	0	0	0	0	0
mmBtu	2,438,370	2,438,370	2,438,370	2,438,370	2,438,370	2,333,677	0	0	0	0	0	0	0
	0.0074	0.0074	0.0074	0.0074	0.0074	(0.0924)	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	0
	0.0074	0.0074	0.0074	0.0074	0.0074	(0.0850)							

Note: (1,625) carry forward from March 6-31.

Total Steam mmBtu Sales - 2005												
	Apr	May	Jun	Jul	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Total
	153,595	152,746	135,482	143,887	150,013	147,904	156,683	174,829	177,691	165,112	185,113	1,897,324
Fuel Costs - 2006												
Coal Costs - 2006	\$ 686,093	\$ 649,717	\$ 621,350	\$ 718,562	\$ 801,879	\$ 642,378	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,119,979
Gas Costs - 2006	\$ 375,339	\$ 346,688	\$ 304,349	\$ 236,870	\$ 202,974	\$ 303,493	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Oil Costs - 2006	\$ 297,344	\$ 272,149	\$ 233,521	\$ 369,821	\$ 545,505	\$ 267,325	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Hedge Costs - 2006	\$ 13,410	\$ 30,880	\$ 83,480	\$ 111,870	\$ 53,400	\$ 71,560	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Coal mmBtu Input Bir Nos. 5	183,325	190,085	152,100	129,701	123,344	181,011	-	-	-	-	-	959,566
Gas mmBtu Input Bir Nos. 1-5	41,605	39,595	36,421	55,337	81,273	34,538	-	-	-	-	-	288,769
No. 2 Oil mmBtu Input Bir Nos. 1-4	-	-	-	-	-	-	-	-	-	-	-	0
Bir 1-5 Fuel to Steam Input	224,930	229,680	188,521	185,038	204,617	215,549	0	0	0	0	0	1,248,335
Production Test - Q1			525,510		434,056	61,639						
Production Test - Q2					959,566	93,248						
Production Test - Q3												
Production Test - Q4												
Production Coal Costs - Q1					1,7125							
Production Coal Costs - Q2					1,8443							
Production Coal Costs - Q3												
Production Coal Costs - Q4												
Production Gas Costs - Q1					8,2939							
Production Gas Costs - Q2					8,1389							
Production Gas Costs - Q3												
Production Gas Costs - Q4												
Appendix D												
Production Standards - Q1	202,635	195,170	159,314	177,341	198,924	188,724	187,991	187,887	110,912	188,695	196,088	2,184,104
Production Standards - Q2			495,695			495,695					495,695	
Production Standards - Q3						1,052,814		1,052,814			1,052,814	
Production Standards - Q4						1,617,803		1,617,803			1,617,803	
Total Steam mmBtu Sales - 2006	177,967	187,426	165,450	166,451	175,898	172,333	0	0	0	0	0	1,045,535
Quarterly Fuel Costs - Actual			1,957,160		2,162,819							
Production Standards - Coal			0		159,691							
Production Standards - Gas			0		(773,388)							
Quarterly Fuel Costs - Adjusted			1,957,160		1,549,121							
Quarterly Bir 1-5 Fuel to Steam Input			643,131		605,204							
Base fuel amount (per million BTU)			3,0432		2,5597							
Quarterly Fuel Costs - Collected	3,0050	3,0050	3,0050	3,0050	3,0050	3,0050	3,0050	3,0050	3,0050	3,0050	3,0050	
(Over) or Under Collected Fuel Costs			1,932,609		1,818,638							
Reflect 80% change in actual fuel costs			24,551		(269,517)							
Rolling 12-months Steam Btu Sales			19,641		(215,613)							
Quarterly Cost Adjustment			2,438,370		2,333,677							
Cumulative - QCA			0.0074		(0.0924)							

Note: (1,625) carry forward from March 6-31.

Total Steam mmBtu Sales - 2005

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Total
Fuel Costs - 2006	153,595	152,746	135,482	143,887	150,013	147,904	156,683	154,069	174,829	177,691	165,112	185,313	1,897,324
Coal Costs - 2006	686,093	649,717	621,350	718,562	801,879	842,378	0	0	0	0	0	0	4,119,979
Gas Costs - 2006	375,339	346,688	304,349	236,870	202,974	303,493	-	-	-	-	-	-	-
Oil Costs - 2006	297,344	272,149	233,521	369,821	545,505	267,325	-	-	-	-	-	-	-
Hedge Costs - 2006	13,410	30,880	83,480	111,870	53,400	71,560	-	-	-	-	-	-	-
Coal mmBtu Input Bir Nos. 5	183,325	190,085	152,100	129,701	123,344	181,011	-	-	-	-	-	-	959,566
Gas mmBtu Input Bir Nos. 1-5	41,605	39,595	36,421	55,337	81,273	34,538	-	-	-	-	-	-	288,769
No. 2 Oil mmBtu Input Bir Nos. 1-4	-	-	-	-	-	-	-	-	-	-	-	-	0
Bir 1-5 Fuel to Steam Input	224,930	229,680	188,521	185,038	204,617	215,549	0	0	0	0	0	0	1,248,335

SCHEDULE CLO-5 Page 6 of 8

Production Test - Q1
Production Test - Q2
Production Test - Q3
Production Test - Q4

Production Coal Costs - Q1
Production Coal Costs - Q2
Production Coal Costs - Q3
Production Coal Costs - Q4
Production Gas Costs - Q1
Production Gas Costs - Q2
Production Gas Costs - Q3
Production Gas Costs - Q4

Appendix D

Production Standards - Q1
Production Standards - Q2
Production Standards - Q3
Production Standards - Q4

Total Steam mmBtu Sales - 2006

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Total
Quarterly Fuel Costs - Actual	177,967	187,426	165,460	166,451	175,898	172,333	0	0	0	0	0	0	1,045,535
Production Standards - Coal	202,635	195,170	159,314	177,341	198,924	188,724	187,991	187,887	190,423	110,912	188,695	196,088	2,184,104
Production Standards - Gas	495,695	495,695	495,695	495,695	495,695	495,695	495,695	495,695	495,695	495,695	495,695	495,695	495,695
Quarterly Fuel Costs - Adjusted	1,957,160	1,957,160	1,957,160	1,957,160	1,957,160	1,957,160	1,957,160	1,957,160	1,957,160	1,957,160	1,957,160	1,957,160	1,957,160
Quarterly Bir 1-5 Fuel to Steam Input	643,131	643,131	643,131	643,131	643,131	643,131	643,131	643,131	643,131	643,131	643,131	643,131	643,131
Base fuel amount (per million BTU)	3.0050	3.0050	3.0050	3.0050	3.0050	3.0050	3.0050	3.0050	3.0050	3.0050	3.0050	3.0050	3.0050
Quarterly Fuel Costs - Collected	1,932,609	1,932,609	1,932,609	1,932,609	1,932,609	1,932,609	1,932,609	1,932,609	1,932,609	1,932,609	1,932,609	1,932,609	1,932,609
(Over) or Under Collected Fuel Costs	(1,625)	(1,625)	(1,625)	(1,625)	(1,625)	(1,625)	(1,625)	(1,625)	(1,625)	(1,625)	(1,625)	(1,625)	(1,625)
Reflect 80% change in actual fuel costs	19,641	19,641	19,641	19,641	19,641	19,641	19,641	19,641	19,641	19,641	19,641	19,641	19,641
Rolling 12-months Steam Btu Sales	2,438,370	2,438,370	2,438,370	2,438,370	2,438,370	2,438,370	2,438,370	2,438,370	2,438,370	2,438,370	2,438,370	2,438,370	2,438,370
Quarterly Cost Adjustment	0.0074	0.0074	0.0074	0.0074	0.0074	0.0074	0.0074	0.0074	0.0074	0.0074	0.0074	0.0074	0.0074
Cumulative - QCA	0.0074	0.0074	0.0074	0.0074	0.0074	0.0074	0.0074	0.0074	0.0074	0.0074	0.0074	0.0074	0.0074

Note: (1,625) carry forward from March 6-31.

Total Steam mmBtu Sales

	<u>2005</u>		<u>2006</u>
Jan	168,768	Jan	177,691
Feb	149,596	Feb	165,112
Mar	168,173	Mar	185,313
Apr	153,595	Apr	177,967
May	152,746	May	187,426
Jun	135,482	Jun	165,460
Jul	143,887	Jul	166,451
Aug	150,013	Aug	175,898
Sep	147,904	Sep	172,333
Oct	156,683	Oct	0
Nov	154,069	Nov	0
Dec	174,829	Dec	0
Total	<u>1,855,745</u>	Total	<u>1,573,651</u>

Rolling 12-months 1,986,354

% by Quarter

			<u>05 - '06</u>
Q1	441,823	530,853	20.151%
Q2	441,804	514,682	16.496%
Q3	485,581	0	-100.000%
Q4	528,116	0	-100.000%

Pro-Forma Steam mmBtu Sales

	<u>2006F</u>	<u>2006F</u>
Jan	177,691	177,691
Feb	165,112	165,112
Mar	185,313	185,313
Apr	177,967	177,967
May	187,426	187,426
Jun	165,460	165,460
Jul	228,389	166,451
Aug	190,843	175,898
Sep	200,143	172,333
Oct	223,441	223,441
Nov	248,711	248,711
Dec	287,874	287,874
Total	<u>2,438,370</u>	<u>2,333,677</u>

Unit	Journal ID	Account	Descr	Resource	Oper Unit	Dept	Proj	Monetary Amount	Stat	Statistic Amount	Line Descr
SJM0E	6001101	4/30/2006	501730	SJLP RECLASS FUEL COSTS TO IND	101080	1080	122	375,338.88	COL	9504.00	LR STEAM ALLOC FOR COAL APR
SJM0E	6001101	4/30/2006	501730	SJLP RECLASS FUEL COSTS TO IND	101080	1080	122	297,344.32	GS1	40844.00	LR STEAM ALLOC FOR GAS APR
SJM0E	0715106	4/30/2006	501731	Networks Financial Non-Reversi	101080	1004	122	0.00		0.00	UCU-MO Steam NG Exch Option Se
SJM0E	0715106	4/30/2006	501731	Networks Financial Non-Reversi	101080	1004	122	0.00		0.00	UCU-MO Steam OTC Swap/Opt Set
SJM0E	0715106	4/30/2006	501731	Networks Financial Non-Reversi	101080	1004	122	12,000.00	OTH	0.00	UCU-MO Steam Option Prem Rollo
SJM0E	0715106	4/30/2006	501731	Networks Financial Non-Reversi	101080	1004	122	1,410.00	OTH	0.00	UCU-MO Steam NG Futures Settle
				Total April 2006				686,093.20			
SJM0E	6001101	5/31/2006	501730	SJLP RECL FUEL COSTS TO INDUST	101080	1080	122	345,688.12	COL	9973.00	LR STEAM ALLOC FOR COAL MAY
SJM0E	6001101	5/31/2006	501730	SJLP RECL FUEL COSTS TO INDUST	101080	1080	122	272,146.66	GS1	38934.00	LR STEAM ALLOC FOR GAS MAY
SJM0E	0715106	5/31/2006	501731	Networks Financial Non-Reversi	101080	1004	122	0.00		0.00	UCU-MO Steam NG Exch Option Se
SJM0E	0715106	5/31/2006	501731	Networks Financial Non-Reversi	101080	1004	122	0.00		0.00	UCU-MO Steam OTC Swap/Opt Set
SJM0E	0715106	5/31/2006	501731	Networks Financial Non-Reversi	101080	1004	122	21,200.00	OTH	0.00	UCU-MO Steam Option Prem Rollo
SJM0E	0715106	5/31/2006	501731	Networks Financial Non-Reversi	101080	1004	122	9,680.00	OTH	0.00	UCU-MO Steam NG Futures Settle
				Total May 2006				643,716.78			
SJM0E	6001101	6/30/2006	501730	SJLP RECLASS FUEL COSTS TO IND	101080	1080	122	304,348.560	COL	7964.00	LR STEAM ALLOC FOR COAL JUNE
SJM0E	6001101	6/30/2006	501730	SJLP RECLASS FUEL COSTS TO IND	101080	1080	122	233,521.200	GS1	35382.00	LR STEAM ALLOC FOR GAS JUNE
SJM0E	0715106	6/30/2006	501731	Networks Financial Non-Reversi	101080	1080	122	1000.000		0.00	UCU-MO Steam NG Exch Option Se
SJM0E	0910135	6/30/2006	501731	CORRECT NET	101080	1080	122	-1000.000		0.00	UCU-MO STEAM NG EX
SJM0E	0715106	6/30/2006	501731	Networks Financial Non-Reversi	101080	1080	122	0.000		0.00	UCU-MO Steam OTC Swap/Opt Set
SJM0E	0910135	6/30/2006	501731	Networks Financial Non-Reversi	101080	1080	122	18400.000	OTH	0.00	UCU-MO Steam Option Prem Rollo
SJM0E	0715108	6/30/2006	501731	MISC CORR	101080	1080	122	1000.000	OTH	0.00	UCU-MO STEAM NG EX
SJM0E	0715108	6/30/2006	501731	MISC CORR	101080	1080	122	9680.000	OTH	0.00	UCU-MO Steam NG Futures Settle
SJM0E	0715108	6/30/2006	501731	MISC CORR	101080	1080	122	21200.000	OTH	0.00	UCU-MO Steam Option Prem Rollo
SJM0E	0715108	6/30/2006	501731	MISC CORR	101080	1004	122	-1410.000	OTH	0.00	UCU-MO Steam NG Futures Settle
SJM0E	0715108	6/30/2006	501731	MISC CORR	101080	1004	122	-21200.000	OTH	0.00	UCU-MO Steam Option Prem Rollo
SJM0E	0715108	6/30/2006	501731	MISC CORR	101080	1004	122	-9680.000	OTH	0.00	UCU-MO Steam NG Futures Settle
SJM0E	0715108	6/30/2006	501731	MISC CORR	101080	1080	122	1410.000	OTH	0.00	UCU-MO Steam NG Futures Settle
SJM0E	0715108	6/30/2006	501731	MISC CORR	101080	1080	122	12000.000	OTH	0.00	UCU-MO Steam Option Prem Rollo
SJM0E	0715108	6/30/2006	501731	MISC CORR	101080	1004	122	-12000.000	OTH	0.00	UCU-MO Steam Option Prem Rollo
SJM0E	0715108	6/30/2006	501731	Networks Financial Non-Reversi	101080	1080	122	64080.000	OTH	0.00	UCU-MO Steam NG Futures Settle
				Total June 2006				621,349.76			
SJM0E	6001101	7/31/2006	501730	SJLP RECL FUEL COSTS TO INDUST	101080	1080	122	236870.180	COL	7097.00	LR STEAM ALLOC FOR COAL JUNE
SJM0E	6001101	7/31/2006	501730	SJLP RECL FUEL COSTS TO INDUST	101080	1080	122	369821.320	GS1	54226.00	LR STEAM ALLOC FOR GAS JUNE
SJM0E	0715106	7/31/2006	501731	Networks Financial Non-Reversi	101080	1080	122	29000.000	OTH	0.00	UCU-MO Steam Option
SJM0E	0715106	7/31/2006	501731	Networks Financial Non-Reversi	101080	1080	122	87150.000	OTH	0.00	UCU-MO Steam NG Fut
SJM0E	0715106	7/31/2006	501731	Networks Financial Non-Reversi	101080	1080	122	-4280.000	OTH	0.00	UCU-MO Steam NG Exc
				Total July 2006				718,561.50			
SJM0E	6001101	8/31/2006	501730	SJLP - reclass fuel to steam	101080	1080	122	202973.890	COL	6823.00	LR Steam Alloc for Coal - Aug
SJM0E	6001101	8/31/2006	501730	SJLP - reclass fuel to steam	101080	1080	122	545505.480	GS1	79404.00	LR Steam Alloc for Coal - Aug
SJM0E	0715106	8/31/2006	501731	Networks Financial Non-Reversi	101080	1080	122	26000.000	OTH	0.00	UCU-MO Steam Option
SJM0E	0715106	8/31/2006	501731	Networks Financial Non-Reversi	101080	1080	122	27400.000	OTH	0.00	UCU-MO Steam NG Futu
				Total August 2006				801,879.37			
SJM0E	6001101	9/30/2006	501730	SJLP - reclass fuel to steam	101080	1080	122	303493.190	COL	9761.00	LR Steam Alloc for Coal - Sep
SJM0E	6001101	9/30/2006	501730	SJLP - reclass fuel to steam	101080	1080	122	267324.730	GS1	33620.00	LR Steam Alloc for gasi - Sep
SJM0E	0715106	9/30/2006	501731	Networks Fin	101080	1080	122	31200.000	OTH	0.00	UCU-MO Steam Opt
SJM0E	0715106	9/30/2006	501731	Networks Fin	101080	1080	122	40350.000	OTH	0.00	UCU-MO Steam NG
				Total September 2006				642,377.92			

SCHEDULE GLC-6

Haynes Linda

From: Braun Susan
Sent: Monday, August 24, 2009 5:31 PM
To: Haynes Linda
Subject: FW: Aquila Steam Fuel Cost

Susan Braun | Mgr. Tariff & Energy Accounting | Kansas City Power & Light, P.O. Box 418679, Kansas City, MO 64141-9679 | p. 816-654-1140 | c. 816-916-6151 | f. 816-654-1189

From: Braun Susan
Sent: Wednesday, July 22, 2009 9:50 AM
To: Rush Tim
Subject: FW: Aquila Steam Fuel Cost

Per your request...

Susan Braun | Mgr. Tariff & Energy Accounting | Kansas City Power & Light, P.O. Box 418679, Kansas City, MO 64141-9679 | p. 816-654-1140 | c. 816-916-6151 | f. 816-654-1189

From: Donald Johnstone [mailto:DonaldCEDLLC@sbcglobal.net]
Sent: Tuesday, October 30, 2007 5:08 PM
To: Clemens, Gary
Cc: 'Chesnut, Gary'; stucon@fcplaw.com; 'Featherstone, Cary'
Subject: Aquila Steam Fuel Cost

Gary,

As you requested, I am sending this e-mail to confirm my understanding that effective November 1, 2007 you will be suspending the Aquila gas hedging program as it relates to the steam business. I understand that you plan to meet with your steam customers in the near future before making a decision regarding the future of the hedging program.

Please acknowledge your receipt of this email and your agreement with the statements herein.

Thanks.

Don

Donald E. Johnstone, President
Competitive Energy Dynamics, L. L. C.
384 Black Hawk Dr.
Lake Ozark, MO 65049
Phone: (573) 365-4441
Mobile: (573) 480-2391

Cc: Stu Conrad
Gary Chesnut
Cary Featherstone
Nathan Williams

8/25/2009