

STATE OF IOWA  
DEPARTMENT OF COMMERCE  
UTILITIES BOARD

IN RE:  AQUILA, INC., d/b/a AQUILA NETWORKS	DOCKET NO. TF-03-556
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**ORDER DOCKETING PROPOSED TARIFF FOR FURTHER REVIEW**

(Issued January 16, 2004)

On December 17, 2003, Aquila, Inc., d/b/a Aquila Networks (Aquila), filed a proposed tariff reflecting changes in the Federal Energy Regulatory Commission (FERC) approved tariff of Northern Natural Gas Company (Northern), a pipeline that serves Aquila. In Northern's current FERC rate case, Docket RP03-398-000, FERC approved changes to the cash-out provisions related to over- and under-takes by Northern's transportation customers. The tariff provisions approved by FERC were designed to limit arbitrage by transportation customers. Aquila is proposing to adopt Iowa tariff provisions consistent with Northern's new FERC tariff language. The proposed tariff has been identified as Docket No. TF-03-556.

On January 6, 2004, Cornerstone Energy, Inc. (Cornerstone), filed an objection to Aquila's proposed changes. Cornerstone states that the proposed changes are not necessary and could harm the ability of customers to effectively transport on the Aquila system. Cornerstone believes further review is necessary before Aquila is allowed to implement the Northern-related changes.

Aquila states that it is proposing to make its tariff language consistent with Northern's because transportation customers control the amount of natural gas the customer takes from Aquila's system, as they do on Northern's system. To eliminate the opportunity for arbitrage, the proposed tariff allows Aquila to charge the average of the highest prices for over-takes, rather than simply the average price.

The Board will docket the proposed tariff to allow full consideration of the issues raised by Cornerstone. The Board will not establish a procedural schedule at this time to allow Aquila and Cornerstone an opportunity to discuss a resolution of the issue. If no resolution can be negotiated, then the parties should inform the Board so a procedural schedule can be established.

**IT IS THEREFORE ORDERED:**

The proposed tariff filed by Aquila, Inc., d/b/a Aquila Networks, on December 17, 2003, is docketed for further review.

**UTILITIES BOARD**

/s/ Diane Munns

/s/ Mark O. Lambert

ATTEST:

/s/ Judi K. Cooper  
Executive Secretary

/s/ Elliott Smith

Dated at Des Moines, Iowa, this 16<sup>th</sup> day of January, 2004.