

STATE OF IOWA
DEPARTMENT OF COMMERCE
UTILITIES BOARD

IN RE: AQUILA, INC., d/b/a AQUILA NETWORKS	DOCKET NOS. WRU-05-6-225 TF-05-52
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ORDER REQUESTING ADDITIONAL INFORMATION

(Issued May 3, 2005)

On February 18, 2005, Aquila, Inc., d/b/a Aquila Networks (Aquila), filed with the Utilities Board (Board) a request for a waiver of some of the requirements in 199 IAC 19.3(10) applicable to natural gas distribution main and service line extensions. Also on February 18, 2005, Aquila filed proposed tariff revisions that included a proposal to replace Aquila's current Iowa gas tariff provisions governing extensions of mains and service lines with new facilities extension tariff provisions.

On February 24, 2005, the Board issued an order docketing the waiver request and proposed tariff revisions for further review. On March 18, 2005, counsel for the Consumer Advocate Division of the Department of Justice (Consumer Advocate) filed an appearance. No objections to the waiver or the proposed tariff revisions were filed.

After reviewing the waiver request, the Board's rules, and the proposed tariff revisions, the Board has determined that it needs additional information before it can reach a decision concerning the waiver request and proposed tariff revisions. The Board describes the additional information requested below. If Consumer Advocate

wishes to provide any additional information, it may do so on the same date scheduled for Aquila.

1. Aquila proposes to combine service lines and distribution mains to eliminate the need to apply separate tests for extensions. Aquila should provide some examples comparing the cost of extensions to customers under the current rules and under the proposed new tariff provisions.

2. Aquila proposes to subtract the Energy Efficiency Cost Recovery (EECR) surcharge in the calculation of estimated base revenue under 199 IAC 19.3(10)"a." Aquila should explain whether it includes the EECR charge in its calculation of estimated base revenues under the current rules.

3. Aquila proposes to define a "basic extension request" as a request for a distribution extension for which Aquila will provide the following specific facilities at no charge:

- Up to 100 feet of polyethylene (PE) pipe on private property. Aquila indicates that it will not offer the 50 feet of non-PE pipe required in 199 IAC 19.3(10)"c."
- One gas meter per applicant at a size not to exceed 399 cfh (cubic feet per hour) at one-half-inch diameter.
- The cost of the service line on public right-of-way and the costs necessary to tie into the main, including standard boring.

Aquila further proposes that the applicant must commit to one year of service and either base space heating with natural gas or annual usage of at least 500 therms. In support of this proposal, Aquila should answer the following questions:

a. Since Aquila has the discretion to decide which type of pipe to install, how does the proposal to not offer the 50 feet of non-PE pipe change the current practice?

b. Due to higher-pressure needs, farm taps usually require metal pipe. If the proposal is to use only PE pipe, how will Aquila address this problem?

c. How does Aquila intend to recover the costs of the extension if the customer discontinues gas service within one year or does not use 500 therms?

d. Does Aquila believe that it can disconnect a customer if the customer does not use 500 therms in a year under the proposed tariff?

4. Aquila proposes 1) to not bill developers or builders for advances unless they exceed \$10,000, 2) to eliminate the customer option in 199 IAC 19.3(10)"b"(1), and 3) to change from a ten-year to a five-year open extension period for refunds. Aquila suggests that customers will be better off accepting

the Aquila-calculated contribution in aid of construction. In support of this proposal, Aquila should answer the following questions:

a. The proposal to not bill developers for the first \$10,000 is not in the proposed tariff or the Facilities Extension Agreement. How does Aquila intend to codify this proposal?

b. How does Aquila intend to determine whether to offer the customer a nonrefundable contribution in aid of construction or a refundable advance for construction?

5. Aquila suggests that customers heating with natural gas will be subsidizing customers with only limited usage, such as a fireplace, without the 500 therm and one-year requirement for free extensions. In support of this position, Aquila should explain whether the unrecovered costs of extending service to all customers, regardless of the customer's annual usage, are included in rates.

6. The Facilities Extension Agreement refers to an Exhibit A. Aquila should provide a copy of Exhibit A.

7. The Facilities Extension Agreement refers to a one-year and three-year commitment from "Non-residential SF" as well as the one-year commitment from "Residential SF." Aquila should provide support for the three-year commitment.

8. In the Facilities Extension Agreement, it appears that the "SF" stands for "single family." Are developers and commercial customers the only customers included as "non-residential SF" customers on Aquila's system? How are apartment buildings classified? Also, does the reference to "Residential Applicants" and "Non-residential Applicants" found in the proposed tariff refer to the same customers as "Residential SF" and "Non-residential SF" found in the Facilities Extension Agreement?

9. Should the Facilities Extension Agreement contain a reference to the 500-therm requirement for "Residential SF"?

10. The proposal indicates that Aquila will treat developers who are "proven" differently from those that are considered to be "unproven." What standards will Aquila use to determine whether a developer is "proven" or "unproven"? Should these standards be included in the proposed tariff?

11. Has Aquila discussed the proposed extension rules with any developers? If yes, provide a summary of the developers' responses.

12. Explain how the "estimated margin" in the proposed tariff is calculated and whether the purchased gas adjustment factor is subtracted.

13. The definitions on 2nd Revised Sheet No. GT-42, "Permanent Service," do not include the 500-therm requirement discussed by Aquila in support of the proposed tariff and contain a requirement of 50,000 therms as a cut-off between a one-year commitment and a three-year commitment for non-

residential applicants. Should the definition for "Permanent Service" include the 500-therm requirement?

14. Provide a description of how the 50,000-therm requirement was determined and how the three-year commitment was determined.

15. Original Sheet No. GT-42.4, under the heading "Non-basic extension request for subdivision projects," does not mention the proposal to not charge an extension fee if it is below \$10,000. Explain how the \$10,000 relates to the "applicable standard Construction Allowance."

16. The language in Original Sheet No. GT-42.4 of the proposed tariff indicates that refundable charges will only be paid by those developers who are "unproven." Is this the same distinction referred to in Question No. 10, above? If so, please answer the same questions.

17. The language in the proposed tariff appears to require the "unproven" developer to pay a non-refundable charge in addition to the refundable charge. Is this correct?

18. Explain how Aquila determines whether to charge a customer an additional amount for extra trenching or rock removal.

19. Aquila should explain whether it intends to request waivers of Board rules in connection with its proposals to 1) remove the distinction between distribution mains and service lines extensions, 2) not offer free installation of 50 feet of non-polyethylene pipe, 3) add a requirement that

residential and commercial customers must commit to 500-therm and 50,000-therm usage, respectively, and 4) not bill developers unless the cost is over \$10,000.

IT IS THEREFORE ORDERED:

Aquila, Inc., d/b/a Aquila Networks, shall file the additional information requested in this order on or before May 23, 2005.

UTILITIES BOARD

/s/ John R. Norris

ATTEST:

/s/ Judi K. Cooper
Executive Secretary

/s/ Elliott Smith

Dated at Des Moines, Iowa, this 3rd day of May, 2005.