

STATE OF IOWA  
DEPARTMENT OF COMMERCE  
UTILITIES BOARD

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IN RE:  AQUILA, INC., d/b/a AQUILA NETWORKS	DOCKET NO. RPU-05-2
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**ORDER GRANTING REHEARING AND ESTABLISHING  
PROCEDURAL SCHEDULE**

(Issued April 5, 2006)

On March 1, 2006, the Utilities Board (Board) issued a final order in this docket approving a general rate increase for Aquila, Inc., d/b/a Aquila Networks (Aquila), and rejecting a proposed settlement that would have established a capital additions tracker (CAT) surcharge. On March 17, 2006, Aquila filed an application for rehearing of the rejection of the CAT settlement. On March 23, 2006, Aquila filed a correction to the application for rehearing. On March 28, 2006, the Consumer Advocate Division of the Department of Justice (Consumer Advocate) filed an answer to the application for rehearing.

In the application for rehearing, Aquila asks the Board to reconsider the findings that: (1) a return on equity of 10.4 percent will be used in the calculation of the CAT surcharge, (2) the settlement is not reasonable in light of the record and is not in the public interest, and (3) the rejection of the CAT settlement. Aquila states that further evidence has arisen since the issuance of the March 1, 2006, order

contrary to the specific finding that a return on equity of 10.4 percent will be used in the calculation of the CAT surcharge.

Aquila points out that the CAT settlement did not have an agreed-upon return on equity. Aquila argues that its witness Joseph M. Bahr provided a sample calculation of the carrying charge and that the actual carrying charges would be based on the components approved by the Board in this docket. Aquila filed the affidavit of Steven M. Jurek describing the new evidence that consists of Aquila's agreement to utilize an overall rate of return of 8.493 percent in the calculation of the CAT surcharge. Mr. Jurek states that the 8.493 percent is the mid-point between the rate of return proposed by Consumer Advocate of 8.108 percent in the case and the rate of return approved in the Revenue Requirement Settlement of 8.879 percent. Aquila asserts that the Board should reconsider its order based upon the offer of Aquila to utilize the lower rate of return. Aquila requests that further proceedings be scheduled if the Board considers it necessary to consider the new evidence.

Consumer Advocate contends that the rejection of the CAT settlement by the Board was based upon several other factors, not just the return on equity used to calculate the surcharge. Consumer Advocate states that the CAT settlement provided that if it was not approved by the Board, the settlement would be null and void and a revised schedule should be established permitting parties to file testimony on all unresolved issues. Consumer Advocate contends that any hearing held on

rehearing must address all issues related to the CAT and not just an appropriate return on equity.

The Board will grant the application for rehearing and establish a procedural schedule for the filing of additional prepared testimony and evidence addressing all issues concerning the proposed CAT. In the March 1, 2006, order, the Board stated that the CAT as originally proposed had several fundamental flaws and even with the modifications made in the settlement was not reasonable in light of the record and was not in the public interest. Among other issues, the Board questioned whether the Board's decision to apply the rate increase to the customer charge would provide enough rate stability for Aquila to remove some or all of the justification for the CAT. An evidentiary hearing will allow the parties to address this issue and all other issues concerning the CAT proposal.

Granting rehearing with respect to the CAT settlement does not affect the Board's approval of the Revenue Requirement Settlement, the decision on rate design in the March 1, 2006, order, or the tariff implementing the revenue requirement increase. The Board issued an order approving Aquila's compliance tariff on March 17, 2006, and the rates in that tariff became effective with that order.

**IT IS THEREFORE ORDERED:**

1. The application for rehearing filed by Aquila, Inc., d/b/a Aquila Networks, on March 17, 2006, is granted.
2. The following procedural schedule is established:

a. Simultaneous prepared direct testimony, with underlying workpapers and exhibits, of all parties shall be filed on or before May 1, 2006.

b. Simultaneous prepared rebuttal testimony, with the underlying workpapers and exhibits, shall be filed on or before May 15, 2006.

c. A hearing shall be held beginning at 9 a.m. on June 9, 2006, for the purpose of receiving testimony and the cross-examination of all testimony. The hearing shall be held in the Utilities Board's Hearing Room, 350 Maple Street, Des Moines, Iowa. The parties shall appear one-half hour prior to the time of the hearing for the purpose of marking exhibits. Persons with disabilities requiring assistive services or devices to observe or participate should contact the Utilities Board at (515) 281-5256 in advance of the scheduled date to request that appropriate arrangements be made.

d. Simultaneous initial briefs shall be filed on or before June 23, 2006.

e. Simultaneous reply briefs shall be filed on or before July 30, 2006.

3. In the absence of objection, all underlying workpapers shall become a part of the evidentiary record of these proceedings at the time the related testimony and exhibits are entered into the record.

4. In the absence of objection, all data requests and responses referred to in oral testimony or on cross-examination, which have not been previously filed, shall

become a part of the evidentiary record of these proceedings. The party making reference to the data request shall file an original and six copies of the data request and response with the Board at the earliest possible time.

**UTILITIES BOARD**

/s/ John R. Norris

/s/ Diane Munns

ATTEST:

/s/ Judi K. Cooper  
Executive Secretary

/s/ Curtis W. Stamp

Dated at Des Moines, Iowa, this 5<sup>th</sup> day of April, 2006.