

STATE OF IOWA
DEPARTMENT OF COMMERCE
UTILITIES BOARD

IN RE: AQUILA, INC., d/b/a AQUILA NETWORKS	DOCKET NOS. SPU-03-7 INU-03-5
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**ORDER GRANTING MOTION TO TERMINATE REPORTING REQUIREMENT
AND CLOSING DOCKET NO. INU-03-5**

(Issued May 19, 2006)

On October 27, 2003, the Board issued an "Order Not Disapproving Proposal for Reorganization, Denying Request for Extension of Authority, and Requiring Reports," in Docket No. SPU-03-7. In that order, the Board allowed Aquila, Inc., d/b/a Aquila Networks (Aquila), to pledge certain Iowa utility assets as collateral for a \$430 million three-year term loan subject to certain conditions. The Board also required Aquila to file reports concerning actions taken to implement its restructuring plan, capital investments in Iowa, consumer survey results, and leak call response times over 60 minutes.

On December 3, 2004, the Board issued an order granting a motion to end the reporting requirements for actions taken to implement Aquila's restructuring plan, capital investments in Iowa, and consumer survey results. The Board denied the motion with regard to the report on leak call response times over 60 minutes. In the December 3, 2004, order the Board stated that Aquila had been reporting leak call response times of over 60 minutes as required since December 2003 and the Board

had opened Docket No. INU-03-5 to receive these reports and allow for separate consideration of Aquila's efforts to address the problems it was experiencing with leak call response times.

The Board denied the motion to discontinue the leak call response time reports because the information filed in those reports showed that Aquila was still experiencing an unreasonable number of leak call response times over 60 minutes. The reports showed that most of the late responses were caused by long drive times and Aquila indicated that it would be hiring additional technicians to address this problem. The Board stated that until the response times are consistently within acceptable limits, Aquila should continue to file the reports.

On April 21, 2006, Aquila filed a motion to terminate the leak call response time reports. In the motion Aquila states that it has (1) reconfigured and increased the number of service districts in order to reduce drive times and ensure adequate service call response staffing in the areas where there were problems; (2) added 12 new service call response positions; (3) successfully negotiated with the union that service call response employees live within 15 minutes of a designated point in a service district; (4) implemented comprehensive training of its service call response employees; and (5) entered into an agreement with MidAmerican Energy Company for a shared leak call response program designed to minimize first-response time.

As a result of the above actions taken by Aquila, it has (1) reduced the number of calls with response times greater than 60 minutes from 96 in the first half of 2005

to 15 in the first quarter of 2006; and (2) substantially reduced the number of calls with response times greater than 60 minutes in the Denison service district, where there was a specific problem mentioned by the Board. At the present time, the leak call response times greater than 60 minutes are usually the result of circumstances beyond Aquila's control, such as completion of existing work, long drive times, weather, and similar circumstances. Aquila indicates that it intends to continue to collect the safety data and will pursue additional agreements with other local distribution companies designed to reduce further the number and duration of leak call response times over 60 minutes.

On May 9, 2006, the Consumer Advocate Division of the Department of Justice (Consumer Advocate) filed a response to the motion to terminate the filing requirements. Consumer Advocate states that it does not oppose termination of the monthly reporting requirement. However, Consumer Advocate suggests that Aquila be required to file a 2006 year-end report to confirm improvements.

The Board's Safety and Engineering staff has continued to monitor Aquila's leak call response times and has met with Aquila on several occasions to discuss the actions being taken to correct the problems causing the greater than 60-minute responses. On April 17, 2006, Board staff filed a report including a graph with data plotted for each district. Board staff took the position that although Aquila's service areas were widely scattered and many were far apart, Aquila should organize its operations to allow timely leak call responses anywhere in its system. Adjusting the

data for those instances where staff believed the late response times were unavoidable, staff concluded that the districts with the highest number of excessive response times had shown substantial improvement. The other districts maintained leak response time performance, except one district that was still experiencing problems with retaining personnel. Aquila indicated that it is addressing this problem.

Board staff indicates that Aquila has corrected or has in place procedures to correct the problems that the reports were intended to monitor. Aquila's conversion to more and smaller call-out areas and the addition of more field staff qualified to respond to leak calls have been instrumental in the improvement of Aquila's response times. Board staff will continue to review leak call response times during its regular pipeline safety standards compliance inspections.

Based upon Board staff's review, the Board will grant the motion to terminate the reports. Aquila has indicated it will continue to monitor and collect the data on leak call response times and, as indicated, Board staff will review this information during its safety compliance inspections, so any future problems can be addressed. Since Docket No. INU-03-5 was opened to monitor the leak call response reports and those reports are being terminated, the Board will close Docket No. INU-03-5. Since Board staff will continue to inspect Aquila's operations for compliance, a final report is not warranted.

IT IS THEREFORE ORDERED:

1. The motion to terminate reporting requirements filed by Aquila, Inc., d/b/a Aquila Networks, on April 21, 2006, is granted.
2. Docket No. INU-03-5 is closed.

UTILITIES BOARD

/s/ John R. Norris

ATTEST:

/s/ Margaret Munson
Executive Secretary, Deputy

/s/ Curtis W. Stamp

Dated at Des Moines, Iowa, this 19th day of May, 2006.