

STATE OF IOWA
DEPARTMENT OF COMMERCE
UTILITIES BOARD

IN RE: AQUILA, INC., d/b/a AQUILA NETWORKS	DOCKET NO. RPU-05-2
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**ORDER ADVISING OF INTENT TO TAKE OFFICIAL NOTICE AND REQUESTING
RESPONSE TO BOARD QUESTIONS**

(Issued June 1, 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 April 5, 2006, the Board issued an order granting rehearing and establishing a procedural schedule.

On May 1, 2006, Aquila and the Consumer Advocate Division of the Department of Justice filed prepared supplemental direct testimony and on May 15, 2006, the parties filed prepared supplemental rebuttal testimony. After reviewing the prepared testimony, the Board has determined that it has several questions the parties should address prior to the hearing so that they can be further explored at hearing, if necessary. The questions are based upon the age of the pipes in Aquila's system, as shown in the Direct Testimony of Joseph M. Bahr, page 5, Table 1, and the replacement of the wrought iron, bare steel, and PVC pipe as referenced in the Supplemental Rebuttal Testimony of Mr. Bahr, pages 3-4.

In addition, the Board is giving notice by this order that pursuant to Iowa Code § 17A.14(4) it is taking official notice of Aquila's 2004 and 2005 federal Distribution Systems Annual Reports and Gas Transmission and Gathering Systems Annual Reports. The Board will place copies of the reports in the official file in the Records and Information Center.

The questions for the parties are as follows:

1. Explain how Table 1 on page 4 of Mr. Bahr's direct testimony was developed and provide a comparison of the percentages in Table 1 with the information found in the federal reports for 2004 and 2005 described above.
2. Aquila's federal reports indicate that it has installed 306 miles of gas mains from 2000-2005. This appears to be a significant increase in the installation of gas mains. Provide a projection for gas main installation 2006 through 2008 and describe what factors are determining the amount of gas main installation projected.
3. Provide the miles of gas mains and number of services of wrought iron, bare steel, and PVC pipe that Aquila has in service and proposes to replace each year from 2006 through 2008.
4. Mr. Raab testifies in his Supplemental Rebuttal Testimony at page 2 that a federal distribution integrity rule could cost the industry more than \$100 million. Provide the source of the \$100 million cost figure and a projection of when the new federal rule will be adopted.

5. How much additional cost does Aquila project it will incur to comply with the possible federal distribution integrity rule? What types of construction or other activities will cause the additional cost?

IT IS THEREFORE ORDERED:

1. The Utilities Board gives notice that it is taking official notice of the 2004 and 2005 Distribution Systems Annual Report and the Gas Transmission and Gathering Systems Annual Report in this docket. Objections to the taking of official notice of these reports may be made at the hearing scheduled for June 9, 2006.

2. Responses to the questions in this order shall be filed on or before June 7, 2006.

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 1st day of June, 2006.