

STATE OF IOWA
DEPARTMENT OF COMMERCE
UTILITIES BOARD

IN RE: AQUILA, INC., d/b/a AQUILA NETWORKS	DOCKET NO. TF-06-71 (EEP-03-4)
---	-----------------------------------

ORDER APPROVING SETTLEMENT

(Issued August 10, 2006)

On March 1, 2006, Aquila, Inc., d/b/a Aquila Networks (Aquila), filed with the Utilities Board (Board) a proposed tariff, identified as TF-06-71, reflecting the annual reconciliation of its energy efficiency cost recovery (EECR) factors. Aquila stated that the reconciliation includes additional under-recoveries for past years that are the result of errors in Aquila's July 31, 2000, filing.

On March 21, 2006, the Consumer Advocate Division of the Department of Justice (Consumer Advocate) filed a conditional objection to the proposed tariff. Consumer Advocate stated the reconciliation is very detailed and complex and Consumer Advocate needed additional time to complete its review. On March 28, 2006, the Board docketed the proposed tariff for further review, but did not set a procedural schedule.

On July 25, 2006, Aquila and Consumer Advocate filed a joint motion for approval of a settlement agreement (Agreement). The Agreement provides that Aquila shall recover approximately \$595,000 of energy efficiency costs for past years' under-recoveries through the EECR; the recovery would occur over a two-year

period, one-half in 2006 and one-half in 2007. The Agreement further provides that in the future Aquila and Consumer Advocate will not raise any under- or over-recovery issues or claims relating to any energy efficiency expenses or revenues for the period prior to July 31, 2000.

The recovery of prior years' energy efficiency costs only slightly raises Aquila's EECR factors. Most of the increase for 2006 is due to actual energy efficiency expenditures for 2005 being greater than planned expenditures and 2005 utility revenue being less than projected revenue. EECR factors will increase from \$0.01616 per therm to \$0.02265 for general service customers (\$0.00184 per therm is attributable to the period prior to July 31, 2000) and from \$0.00637 per therm to \$0.00727 per therm for non-general service customers (\$0.00106 per therm is attributable to the period prior to July 31, 2000).

The Board will approve the Agreement. The Agreement resolves all over- and under-recovery issues prior to July 31, 2000, and will provide stability to the EECR recovery process. These prior amounts were approved for recovery by the Board but were not concurrently recovered by Aquila due to an error; under the Agreement, Aquila will recover its expenditures but will not recover any carrying charges. The Agreement is reasonable in light of the whole record, consistent with law, and in the public interest.

IT IS THEREFORE ORDERED:

The settlement agreement filed by Aquila, Inc., d/b/a Aquila Networks, and the Consumer Advocate Division of the Department of Justice on July 25, 2006, is approved, including Tenth Revised Sheet Number 52 containing the EECR factors discussed in this order.

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 10th day of August, 2006.