

SECRETARY'S RECORD, NEBRASKA PUBLIC SERVICE COMMISSION

BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION

In the Matter of Aquila, Inc. d/b/a) Application No. NG-0041
Aquila Networks (Aquila), Omaha,)
seeking individual rate increases) ORDER GRANTING MOTION FOR
for Aquila's Rate Area One, Rate) RECONSIDERATION IN PART
Area Two, and Rate Area Three.)
) Entered: June 24, 2008

BY THE COMMISSION:

On December 5, 2007, Aquila, Inc. d/b/a Aquila Networks (Aquila) filed its Interim Refund Plan to refund any differences between original interim rates and the appeal rates implemented by Aquila pending appeal to the district court. The Interim Refund Plan proposed two possible methods for the interim refund including refunding over-collections based upon individual usage and refunding a uniform amount to all ratepayers. On February 29, 2008, the district court issued orders affirming the Commission's July 24, 2007 Order. Neither the Public Advocate nor Aquila appealed the district court order.

On or about May 1, 2008, Aquila filed its Updated Refund Plan which addressed the refund of interim amounts based upon final rates. The Updated Refund Plan proposes to refund to all residential ratepayers currently on the system a uniform amount; no amounts would be refunded to any ratepayer who has left the system; that under-collections from commercial ratepayers would be offset against the refund amounts to residential ratepayers; and that any amounts which the company was unable to pay to ratepayers would be placed into an energy assistance fund. Hearing on this matter was held on May 7, 2008. The Commission entered an order on May 28, 2008 establishing a refund plan requiring Aquila to make refunds on a pro rata basis based upon usage during the period of interim rates; to make reasonable efforts to locate those ratepayers who are no longer on Aquila's system; to credit the accounts of any ratepayers who are no longer on the system but have balances due; and finally to include in the gas cost adjustment any amounts that cannot be refunded to residential ratepayers.

Subsequently on or about June 9, 2008, the Public Advocate filed a Motion for Clarification and Reconsideration, or in the Alternative, for Rehearing. Oral argument on the Motion was held on June 17, 2008.

The Public Advocate requested that the Commission clarify what it intended in its order in stating that refunds should be made on a pro rata basis based upon usage. The Public Advocate asked that should the Commission decline to clarify the Commission's May 28, 2008 order as outlined by the Public Advocate, that it reconsider the manner in which refunds should be paid to residential ratepayers. Further the Public Advocate requests that the Commission reconsider its decision to offset the total amount of the refund due to residential ratepayers by the amount of the under-collection during the interim period from

commercial ratepayers. Finally, the Public Advocate requested that the matter be set for rehearing should the Commission determine that additional evidence is necessary.

O P I N I O N A N D F I N D I N G S

By requiring Aquila to issue refunds on a pro rata basis based upon usage, the Commission intended to return to ratepayers a percentage of the total amount to be refunded which approximated as closely as possible the percentage the ratepayers contributed during the interim period. The Commission recognizes that the term "usage" in this context may have more than one appropriate interpretation. The interpretation offered by the Public Advocate would calculate the share of the refund based both on the fixed monthly charge paid and the volumetric usage of each ratepayer. Another method would calculate each ratepayer's share of the refund based solely on the volumes used by that ratepayer during the interim period.

As a result of the Public Advocate's filing, the arguments made, and a review of the existing record, it is clear that calculating refunds based solely on the volumetric usage would have unintended consequences. Due to the difference in the rate design proposed by Aquila and the rate design later adopted by the Commission, the majority of the over-collection during the interim period was due to the difference in the customer charge rather than the volumetric rate. Therefore, the method for calculating the refund should have properly reflected that design.

The Commission recognizes that due to the unique circumstances caused in significant part by the change in rate design, no perfect method for the calculation and distribution of refunds exists. The Commission must balance the interests of all parties including the costs to the utility and ratepayers attributable to the calculation and distribution of any refund and establish a method which is equitable under the circumstances.

The Commission finds that the Motion to Reconsider should be granted in part in that the method for calculation of the refund should be modified as follows. Rather than basing the ratepayers' pro rata shares upon the therms used, Aquila shall base each ratepayer's share upon the number of months each ratepayer was on the system and receiving a bill during the interim rate period. Each ratepayer will therefore receive a pro rata share of the total refund based upon the number of months during the interim period that the ratepayer was on Aquila's system and being billed at the interim rates. The Commission believes that this modification will more fairly distribute refunds to all residential ratepayers by more closely tying the refund amount to

the change in the customer charge. All remaining findings and opinions of the May 28, 2008 order remain unchanged.

The Commission further finds that the implementation of interim rates, the calculation and distribution of refunds and the requisite utility billing system capabilities should be examined in the context of a future rule and regulation proceedings so as to establish more predictability in the process.

O R D E R

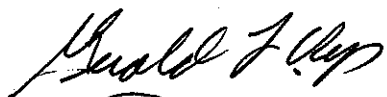
IT IS THEREFORE ORDERED by the Commission that the Motion for Reconsideration is granted in part.

IT IS FURTHER ORDERED that the method for the calculation of refunds to ratepayers is modified as set forth herein requiring Aquila to refund amounts to ratepayers on a pro rata basis based upon the number of months during the period of interim rates each ratepayer was on the Aquila system and being billed for the interim rate.

MADE AND ENTERED at Lincoln, Nebraska, this 24th day of June, 2008.

NEBRASKA PUBLIC SERVICE COMMISSION

COMMISSIONERS CONCURRING:



//s// Anne C. Boyle
//s// Frank E. Landis



Chair

ATTEST:



Executive Director

