

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF COLORADO

DOCKET NO. 04S-035E

RE: THE INVESTIGATION AND SUSPENSION OF TARIFF SHEETS FILED BY AQUILA, INC., DOING BUSINESS AS AQUILA NETWORKS-WPC, WITH ADVICE NO. 588.

**INTERIM ORDER OF
ADMINISTRATIVE LAW JUDGE
DALE E. ISLEY
ESTABLISHING PROCEDURES
FOR TECHNICAL CONFERENCE**

Mailed Date: June 15, 2004

I. STATEMENT

1. The captioned proceeding was commenced on December 29, 2003, when Aquila, Inc., doing business as Aquila Networks-WPC (Aquila), filed Advice Letter No. 588 and accompanying tariff sheets with the Colorado Public Utilities Commission (Commission).

2. On April 1, 2004, a technical conference was tentatively scheduled in this matter on July 14, 2004, commencing at 9:00 a.m. in Denver, Colorado. *See*, Decision No. R04-0341-I. On June 8, 2004, the undersigned administrative law judge informally advised the parties that a technical conference would be held as previously scheduled.

3. Commission Advisory Staff has reviewed the revenue requirement models filed by Aquila, the Colorado Office of Consumer Counsel (OCC), and the Staff of the Commission (Staff), as well as their proposed adjustments. The Advisors have identified the following adjustments for which a technical conference is needed: the OCC's proposed incentive compensation adjustment, the Staff's proposed disallowance of certain Enterprise Support

Functions (ESFs) and Intra-Business Unit (IBU) cost allocations/assignments; and Staff's proposed Cash Working Capital adjustment.

4. As stated in Decision No. R04-0227-I, the purpose of the technical conference is to provide the Commission's Advisors an opportunity to ask questions of the representatives sponsoring a revenue requirement model on how to correctly input the parties' adjustments into their model. Representative(s) from Aquila and Staff should be present to explain how to correctly input the adjustments discussed below into their respective models.

A. Questions Regarding Aquila's Model

5. Dr. Schechter proposes, beginning on page 9 of his Answer Testimony, to disallow Aquila's *pro forma* incentive compensation adjustment in the amount of \$315,711. The basis of this number is found in his Exhibit PBS-7. At the bottom of this exhibit it shows the total payroll adjustment proposed by Aquila of \$565,056, which is shown in Section 9, Schedule 8, line 11 to Aquila's model as adjustment no. 9. The resulting total payroll amount of \$10,696,508 on Schedule 8 is then carried forward to the calculation of Cash Working Capital in Section 6, Schedule 6, to the second line no. 1. To incorporate this OCC adjustment, is it accurate and correct to reduce just the Administrative and General Expenses on line 10 of Section 9, Schedule 8 by \$325,182 (\$315,711 + 9,471 of ESCP, as shown on PBS-1, Schedule 3, page 4 of 6)?

6. In his Exhibit PBS-1, Schedule 3, page 2 of 6, Column D, Dr. Schechter also removes \$35,018 of Taxes Other Than Income associated with his proposed incentive compensation adjustment. Would it be accurate and correct to reduce the Taxes Other Than Income shown in Section 9, Schedule 9, line 1 by the \$35,018 proposed by the OCC?

7. If either of these modifications to Aquila's model is incorrect, please have a representative available to discuss the proper treatment of how the proposed OCC incentive compensation adjustment should be input into the Aquila model.

8. Staff proposes to disallow \$1,830,609 (\$1,603,546 from Table SJJ-3 and \$227,063 from Table SJJ-4) of ESF and IBU cost allocations/assignments, Aquila will need to have a representative(s) available to discuss the how Staff's proposed ESF and IBU cost allocations/assignments adjustment should be input into the Aquila model.

B. Questions Regarding Staff's Model

9. To eliminate Staff's proposed revenue lag adjustment, the advisors are having difficulty reflecting that change in the model because not all the linked files were provided (*e.g.*, *Exhibit RLG – 2_wpc_042304_.xls*). Would it be correct to change the Cash Working Capital factors in *Final Exhibit SJJ-5.xls*, Rate Base sheet Column N (The Staff Adjustment column), in rows 195, 199, 205, 210, 215, 220, and 235 to zero and then run the 'Solve_by_loop' macro? If not, please have a representative available to discuss how to correctly model a change in the Crash Working Capital Lead/Lag Factors.

10. Representatives discussing the adjustments should be able to orally describe the individual steps required to make the adjustments discussed above. Parties will be allowed to observe, but only Commission Advisory Staff will be allowed to ask questions during the technical conference. A computer screen projector (an In-Focus brand) will be provided at the technical conference but each party is expected to bring their own laptop computer loaded with its revenue requirement model as submitted with its testimony.

II. ORDER

A. It Is Ordered That:

1. The procedures described in Section I of this Order will be followed in connection with the technical conference to be held on July 14, 2004.
2. This Order shall be effective immediately.

THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

Administrative Law Judge