

# **SCHEDULE WEB-1**

BEFORE THE STATE CORPORATION COMMISSION  
OF THE STATE OF KANSAS

STATE CORPORATION COMMISSION

NOV 03 2005

In the Matter of the Application of Aquila, Inc., d/b/a )  
Aquila Networks-WPK, for Approval of an )  
Accounting Order to Permit Aquila, Inc., d/b/a Aquila )  
Networks-WPK, to Recover Amounts Necessary to )  
Expend in Order to Establish and Maintain a Natural )  
Gas Hedge Program for Electric Generation for the )  
2006 Summer Season; and for Approval of its "Gas )  
Hedge Program for Electric Generation" )

*Susan Talbot* Docket  
Room

Docket No. 06-AQLE-494-HED

APPLICATION

COMES NOW Aquila, Inc., d/b/a Aquila Networks-WPK ("Aquila"), and pursuant to K.S.A. 2002 Supp. 66-117, files this application with the Kansas Corporation Commission ("KCC") for an order approving its request for an accounting order to permit Aquila to recover such amounts of its funds as may be necessary to expend in order to establish and maintain a gas hedging program for the 2006 summer season, defined as June 1 through September 30, under the Gas Hedge Program for Electric Generation and for approval of its "Gas Hedge Program for Electric Generation." In support of its application, Aquila states as follows:

1. Aquila is a corporation duly organized under the laws of the State of Delaware, with a principal place of business at 20 West Ninth Street, Kansas City, Missouri 64105. Aquila is authorized to do business and is conducting business in the State of Kansas.
2. Aquila is engaged, generally, in generating, transporting, distributing and selling electricity in portions of Kansas. Aquila provides service to nearly 70,000 electric customers in Kansas. Aquila's Kansas operations are subject to the jurisdiction of the KCC.
3. Based upon meetings that Aquila has conducted with members of the KCC Staff, CURB and based anecdotally upon discussions which took place during the formal roundtable discussions and the most recent focus group study held by the KCC regarding natural gas price

volatility, Aquila believes it is important that some type of price protection should be afforded to its residential and commercial customers by establishing a ceiling price to be paid on a percentage of its projected summer natural gas for generation volumes as well as fixing another percentage for the 2006 summer season. In order to establish a ceiling price on a percentage of the projected summer natural gas for generation volumes to be purchased for the 2006 summer season, it is likely that Aquila will have to spend approximately \$600,000.00. Aquila requests that the KCC authorize Aquila to expend up to \$600,000.00 to establish such a ceiling price. Aquila is willing to invest such funds, as needed, to establish a ceiling price on the percentage of gas purchases for which the ceiling price is being established. However, Aquila will invest such funds to reach the target price cap expenditure only if the KCC authorizes the recovery of the funds expended through a separate average charge per customer (expressed as a per kilowatt-hour charge) and stated separately on customer bills. The \$600,000, or \$.924 per month per residential customer, \$3.264 per month per commercial customer for the summer season, is the suggested budget.

4. Aquila is requesting the KCC issue an accounting order authorizing Aquila to: 1) record those monies expended by Aquila in establishing a gas ceiling price for one third of the 2006 budgeted summer season natural gas generation budget in an account to accrue interest at the KCC approved interest rate for customer deposits; 2) recover the program costs from all of its residential and commercial customers on a per customer basis (expressed as a separate per kilowatthour charge) during the months of December 1, 2005 through May 31, 2006, or as soon after the program is approved by the KCC; 3) to reconcile the expenditures to the recoveries reflecting any over or under recovery through the ECA process; and 4) to make such report or reports deemed necessary by the KCC regarding such account. Any resulting cost or benefit resulting from the settlement of the call options or futures swaps shall be credited or recovered, respectively, through Aquila's monthly ECA

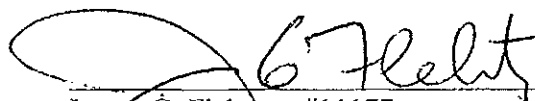
filings during the months of July 1, 2006 through October 31, 2006.

5. Attached hereto and incorporated herein by reference is the testimony of Gary L. Gottsch. Mr. Gottsch is a Gas Supply Representative for the Energy Resources group of Aquila Networks and is testifying in support of Aquila's request for approval of an accounting order in this matter and approval of Aquila's Gas Hedge Program for Electric Generation.

6. Attached hereto and incorporated herein by reference is Aquila's proposed changes to its ECA tariff to reflect the Gas Hedge Program.

7. The authority requested by this application will allow Aquila to take actions, which are reasonably designed to mitigate the volatility of natural gas prices in the summer months. It is the goal of Aquila's Gas Hedge Program for Electric Generation that these actions will mitigate price volatility, at a reasonable cost, relative to Aquila's traditional operations. Therefore, Aquila requests the KCC find the authority requested is in the public interest.

WHEREFORE, Aquila respectfully requests that the KCC issue an order granting Aquila's request for an accounting order to permit Aquila to recover such amounts of its funds as may be necessary to expend in order to establish and maintain a gas ceiling price for a portion of the 2006 summer season under the Gas Hedge Program for Electric Generation; for approval of its Gas Hedge Program for Electric Generation; and for such other relief as the KCC may deem appropriate.



James G. Flaherty, #11177

**ANDERSON & BYRD, LLP**

216 S. Hickory, P. O. Box 17

Ottawa, Kansas 66067

(785) 242-1234, telephone

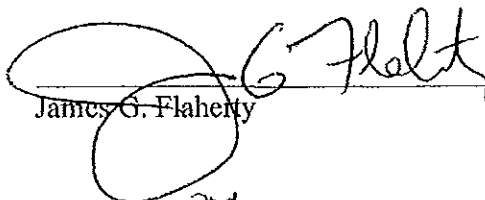
(785) 242-1279, facsimile

Attorneys for Aquila, Inc., d/b/a Aquila Networks - WPK

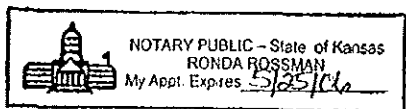
VERIFICATION


STATE OF KANSAS, FRANKLIN COUNTY, ss:

James G. Flaherty, of lawful age, being first duly sworn on oath, states: That he is an attorney for Aquila, Inc., d/b/a Aquila Networks - WPK; that he has read the above and foregoing Application, knows the contents thereof; and that the statements contained therein are true.

  
James G. Flaherty

SUBSCRIBED AND SWORN to before me this 3<sup>rd</sup> day of November, 2005.



  
Notary Public

My Commission Expires:

AQUILA INC d/b/a AQUILA NETWORKS-WPK

Schedule: 04-ECA

(Name of Issuing Utility)

Replacing Schedule 04-ECA Sheet 4Which was filed March 30, 2005

## ENTIRE SERVICE AREA

(Territory to which schedule is applicable)

No supplement or separate understanding  
shall modify the tariff as shown hereon.

Sheet 4 of 4 Sheets

Statistics	Summer Period <u>May - September</u>		Winter Period <u>October - April</u>	
	Limits	Alternative* Fuel Ratios	Limits	Alternative* Fuel Ratios
Thermal Efficiency (Heat rate)	Max. Of 12,100 BTU/kWh		Max. Of 12,200 BTU/kWh	
Percentage of BTU from:				
Coal	16% to 100%	30%	16% to 100%	25%
Oil	0% to 25%	15%	0% to 75%	42%
Gas	0% to 84%	55%	0% to 84%	33%
Nuclear	-% to -%	-%	-% to -%	-%
Line Loss	Maximum of 14%		Maximum of 14%	

\*These alternative fuel ratios must be used in calculating the fuel cost, if actual performance falls outside the limit values.

Assessment for Estimating Accuracy: In the event that the estimated total energy costs per kWh for any three (3) consecutive months exceed by more than five percent (5%) the actual cost per kWh for those same months, The Company shall submit an explanation. If the Company cannot show that the estimate was realistic and the actual costs was the lowest overall cost that could have been incurred, the Kansas Corporation Commission may, at its discretion, assess the Company, for the purpose of recovering administrative costs of handling the adjustment, in an amount not to exceed the difference between the amount billed to customers under the estimated rate and the actual increase in energy costs for those billing periods.

Electric Hedge Program

The Company shall operate its Electric Hedge Program pursuant to the Commission's orders in Docket No. 06-AQLE-\_\_\_\_\_. Costs and revenues associated with any purchase of straight call options and other alternative risk management strategies, the balance of which shall not exceed \$600,000 per year, shall be recovered as a separate cost component from all participating customers during the months of December through May. Any over or under recovery, and any of the budget amount not used by the Company, shall be reflected in the Company's ECA filings. During the months of July through October, the monthly costs and revenues generated from the exercise of all financial derivatives shall be flowed back to all participating customers as a cost component of the respective monthly ECA. The Company shall also make such report or reports deemed necessary by the Commission regarding such costs and revenues.

Issued October 31, 2005

Month Day Year

Effective Upon Commission Approval

Month Day Year

By Maurice L. Arnall Director, Regulatory

Signature

Title

06-AQLE-\_\_\_\_\_

Approved

Kansas Corporation Commission

\_\_\_\_\_, 2005

/S/ Susan K. Duffy