

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

In the Matter of a Management Audit of)	
Aquila, Inc. d/b/a Aquila Networks-MPS)	Case No. EO-2006-0356
and Aquila Networks-L&P)	

PUBLIC COUNSEL’S RESPONSE
TO ORDER DIRECTING PUBLIC COUNSEL TO CLARIFY

COMES NOW the Office of the Public Counsel and for its response states follows:

1. On March 16, 2006, Public Counsel filed a motion asking the Commission to conduct a management audit of Aquila, Inc.

2. On March 21, the Commission issued an order directing Public Counsel to answer the following specific questions:

who should conduct the audit, how long it would take, and who should pay for the audit. In addition, the Commission would like to know what sort of remedy Public Counsel believes the Commission could impose after the results of the audit are known.

3. Public Counsel submits the following answers.

A. The audit should be conducted by the Commission’s Management Services department, a group of trained professionals whose purpose is to investigate the management practices of Missouri’s regulated utilities.

B. The audit should take approximately eight months. This schedule would allow the audit findings to be filed with and incorporated in staff’s direct testimony in Aquila’s next rate case, which is expected to be filed about July 1, 2006.

C. Because the audit would be conducted by the Commission Staff, it should be paid for out of the Commission’s normal operating funds.

D. If the results of the audit show – as Public Counsel is confident they will – that Aquila suffers from significant mismanagement, the Commission can make adjustments in Aquila's next rate case. For example, it could reduce or eliminate management salaries. It could make a specific downward adjustment to Aquila's allowed return on equity, as the markets would do to a mismanaged competitive firm. While there may be other remedies, it is premature to speculate on what they might be before any audit is even begun.

WHEREFORE, Public Counsel respectfully submits this response to the Commission's March 21, 2006 order directing Public Counsel to clarify its motion.

Respectfully submitted,

OFFICE OF THE Public Counsel

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By: _____

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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed, emailed or hand-delivered to the following this 28th day of March 2006:

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