



Aquila wants limited state review of rate hike

By NANCY HICKS / Lincoln Journal Star
Thursday, October 20, 2005

Case Nos,
EO-2002-384
ER 2005-0436
HR 2005-0450

Aquila's decision to pay \$3.3 million in bonuses to nine Kansas City executives points out the need for strict state oversight of all utility rate increases, according to Lincoln Sen. Chris Beutler.

But Aquila, the natural gas company that serves Lincoln, is seeking permission to raise customer rates by about 47 cents a month without going through the state's formal and lengthy rate-setting process. Natural gas cold weather rule

An attorney hired to protect the public interest said state law doesn't allow any modifications to the process.

Beutler agreed in a letter sent Wednesday to the Nebraska Public Service Commission, which heard arguments on the rate issue in an afternoon hearing.

And beyond the legal arguments, Beutler raised the executive bonuses as a red flag to support the need for scrutiny.

While consumers may see a 70 percent increase in the price of natural gas, these executives will "not be out in the cold this winter," Beutler said in his letter.

Aquila directors recently approved the bonuses, tied to the sale of four utilities in Missouri, Kansas, Michigan and Minnesota, according to the Kansas City Star.

The bonuses suggest the "very real need" for the Public Service Commission "to make informed, accurate and comprehensive determinations of whether a utility's costs warrant a rate change," he said in the letter.

Aquila wants to add about 47 cents to the current \$11 monthly residential customer charge, a 4 percent increase, to cover rising costs.

According to state law, the natural gas company can raise rates without permission to cover the fluctuating cost of the natural gas itself, but must get the commission's approval to change rates that cover other operating expenses.

Customers would be better served if the company came in for small rate increases every year, said Douglas Law, an Omaha attorney representing Aquila.

Filing a rate hike request under the current system can be time-consuming and expensive, costing about \$300,000 to \$400,000. Therefore the company is likely to wait three to four years between rate hike requests. Then rates must be raised substantially, said Law, who referred to this as "the little bites versus the big bites theory."

"Big bites strain PSC resources," he said.

The company wants to be able to use the Consumer Price Index and other benchmarks as the basis for smaller rate filings, which Law said would save everyone money.

Law argued that language in the 2003 state law governing utility regulation gives commissioners the authority to use a modified process for small rate hike requests.

The attorney hired by the Public Service Commission to represent the public interest on utility matters disagreed.

No matter how convenient a modified process may be, it is simply not allowed under current state law, said Lincoln attorney Roger Cox.

"We believe the law does not grant that authority," he said Wednesday.

In 2003 the Legislature gave the Public Service Commission regulatory authority over the state's three private natural gas companies because they are a monopoly. Aquila serves about 200,000 customers in eastern Nebraska, including Lincoln and some Omaha suburban communities.

Some communities are served by public utilities, like the Metropolitan Utility District in Omaha. Public utilities are regulated by a city government or an elected board.

The commission allowed Aquila to raise rates by about \$4 a month through a full-blown review process several years ago.

Commissioners are expected to make a decision on whether to allow a modified-review process within the next month.

Aquila's request is so broad and so far outside existing law that it could lead to the Public Service Commission losing effective control of utilities, Beutler wrote.

"Regulation is the price a utility pays in order to retain its monopoly."

If the company wants to have a more limited rate review process, it needs to come to the

FILED⁴

DEC 19 2005

Missouri Public Service Commission

Legislature for a change in state law, Beutler said.

Reach Nancy Hicks at 473-7250 or nhicks@journalstar.com.

Print Page