

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Aquila, Inc., to Implement)	
a General Rate Increase for Retail Electric)	
Service Provided to Customers in Its Aquila)	<u>Case No. ER-2007-0004</u>
Networks-MPS and Aquila Networks-L&P)	Tariff No. YE-2007-0001
Missouri Service Areas.)	

ORDER CLARIFYING REPORT AND ORDER

Issue Date: May 22, 2007

Effective Date: May 27, 2007

Aquila, Inc., d/b/a Aquila Networks – MPS and Aquila Networks – L&P, filed a motion on May 18, 2007, asking for clarification. This order addresses the motion.

On May 17, 2007, the Commission issued its Report and Order. In that order, at page 44, the Commission stated that “it would be improper to allow Aquila to flow hedging costs or demand costs associated with any purchased power contract through its fuel adjustment clause.” Hedging costs and demand costs are also referred to collectively on page 43. In each instance the phrase “hedging costs” was inadvertently included. The language in question was only intended to address appropriate treatment of demand costs.

The treatment of hedging costs was addressed by the parties in the Stipulation and Agreement as to Certain Issues (Stipulation and Agreement). On April 12, 2007, the Commission approved the Stipulation and Agreement. Under the Stipulation and Agreement, prudently incurred hedging costs will flow through the fuel adjustment clause, but Aquila’s 2006 hedge settlement losses of \$11.5 million were expressly excluded. The Stipulation and Agreement further provides that the ultimate settlement values of Aquila’s hedge contracts in place on March 27, 2007, will not be subject to prudence review. Any

hedge position taken after March 27, 2007, however, is subject to a prudence review and potential disallowance.

IT IS ORDERED THAT:

1. Aquila's Motion for Clarification filed on May 18, 2007, is granted, as addressed in the body of this order.
2. This order shall become effective on May 27, 2007.

BY THE COMMISSION

A handwritten signature in black ink, appearing to read 'Colleen M. Dale', written over a horizontal line.

Colleen M. Dale
Secretary

(S E A L)

Cherlyn D. Voss, Regulatory Law Judge,
by delegation of authority pursuant to
Section 386.240, RSMo 2000.

Dated at Jefferson City, Missouri,
on this 22nd day of May, 2007.