

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

In the Matter of the Tariffs of Aquila, Inc.,)
d/b/a Aquila Networks - MPS and Aquila)
Networks - L&P Increasing Electric Rates)
for the Services Provided to Customers in)
the Aquila Networks – MPS and Aquila)
Networks – L&P Service Areas.)

Case No. ER-2007-0004

MOTION FOR CLARIFICATION

Aquila, Inc. (“Aquila” or “Company”), by its counsel and pursuant to 4 CSR 240-2.080, hereby moves the Missouri Public Service Commission (“Commission”) to issue an order clarifying that portion of the *Report and Order*, issued in this case on May 17, 2007, that relates to the recovery of hedging costs through the fuel adjustment clause. In support of its motion, Aquila states as follows:

1. At pages 42-44, the *Report and Order* discusses what costs should be recoverable through the fuel adjustment clause that is authorized for Aquila and concludes, at page 44, 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.” This conclusion, however, appears to conflict with the terms of the “Stipulation and Agreement As To Certain Issues” (“Stipulation”) that the Commission approved on April 12, 2007.

2. Paragraph 8 of the Stipulation specifically addresses the issue of hedge costs. As stated there “[t]he Signatories agree that ultimate settlement values of Aquila’s hedge contracts in place on March 27, 2007 for the period June 1, 2007 through December 31, 2009 will be subject to the provisions of any fuel cost recovery

mechanism approved by the Commission in this case.” The Stipulation goes on to provide that those ultimate settlement values “will not be subject to challenge as to a prudence disallowance relative to Aquila’s original decision to enter into those hedge positions.”

3. The language quoted above shows that the signatories to the Stipulation intended that: a) hedge costs would be recoverable through any fuel cost recovery mechanism approved by the Commission; b) that the amount of the hedge costs to be recovered – the “ultimate settlement value” – would be determined during the course of prudence reviews conducted as part of the approved fuel cost recovery mechanism; and c) that, in determining the amount of prudently-incurred hedge costs, Aquila’s decisions to enter into the hedge positions could not be challenged as imprudent.

4. But language in the Commission’s *Report and Order* stating that “it would be improper to allow Aquila to flow hedging costs . . . though its fuel adjustment clause” appears to repudiate the treatment of hedge costs called for in the Stipulation. The Company does not believe this was the Commission’s intent, because such a result would be contrary both to the Commission’s April 12th order approving the Stipulation as well as to the terms of the Stipulation itself, which state that the agreement is void unless the Commission approves the Stipulation “unconditionally and without modification.” Prohibiting the Company from recovering its prudently-incurred hedging costs would have the effect of modifying the terms of the Stipulation. Unless some sort of clarification is issued to conform the *Report and Order* to the Stipulation the Commission risks inadvertently voiding the Stipulation in its entirety.

WHEREFORE, for the reasons stated above, Aquila moves the Commission for a clarifying order that either: 1) conforms the *Report and Order* to the Stipulation by stating that hedging costs can be flowed through the fuel adjustment clause as provided for, and in accordance with, the terms of the Stipulation, or 2) explains why the Commission believes there is no conflict between the *Report and Order* and the Stipulation.

Respectfully submitted,

/s/L. Russell Mitten

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ATTORNEYS FOR AQUILA, INC.

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the above and foregoing document was delivered by first class mail, electronic mail or hand delivery, on the 18th day of May, 2007, to the following:

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