

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

In The Matter of the Application of Aquila,)
Inc. for Approval of its Experimental)
Regulatory Plan and for a Certificate of)
Convenience and Necessity Authorizing)
it to Participate in the Construction, Ownership,)
Operation, Maintenance, Removal,)
Replacement, Control and Management of)
a Steam Electric Generating Station in)
Platte County, Missouri, or alternatively for an)
Order specifically confirming that Aquila, Inc.)
has the requisite authority Under its)
Existing Certificate(s).)

Case No. EO-2005-0293

MOTION FOR SUPPLEMENTAL ORDER

COMES NOW Applicant Aquila, Inc., (the "Company"), and for its Motion for a Supplemental Order in the captioned case, states as follows:

1. On August 9, 2005, the Commission issued its Order Approving Stipulation and Agreement (the "Order") in this case. By virtue of the Order, the Commission authorized the Company to encumber the electric utility properties of its Aquila Networks-MPS division to support a senior secured, five-year, multi-draw term loan. The proceeds from the debt facility are to be used to finance the Company's participation as an owner of at least 140 MW of coal fired generation to be built in Missouri for its regulated Missouri operations and to finance the construction of environmental upgrades to Iatan Unit 1 (the "Project").

2. On August 31, 2005, the Company entered into a \$300,000,000 credit agreement with Union Bank of California, N.A. (the "Credit Agreement"), which established a secured five-year credit facility (the "Iatan Facility") providing the Company up to \$300,000,000 of letters of credit or cash advances from time

to time for the purposes authorized in the Order. A copy of the Credit Agreement is attached hereto as Exhibit A. The loan documents permit the Company to enter into secured interest rate hedges designed to mitigate its interest rate exposure under the Iatan Facility, provided that the Company enters into any such hedges with one or more lenders to the UBOC Facility (the, "Iatan Lenders"). In such an event, the Company's obligations with respect to the interest rate hedges would be secured by a first priority security interest in the electric utility properties of Aquila Networks-MPS. In other words, the Credit Agreement permits the Company to enter into interest rate hedges with the Iatan Lenders which hedges are secured equally by the utility collateral that secures the Company's payment obligations under the Iatan Facility.

3. In order to prudently manage its interest rate exposure under the Iatan Facility, the Company requests Commission approval to enter into up to \$300 million in aggregate notional amount of interest rate hedges secured by a first priority security interest in the electric utility properties of Aquila Networks-MPS. Potential benefits of hedging part or all of the Company's payment obligations under the Iatan Facility include, among others, mitigating the Company's exposure to rising interest rates and taking advantage of a favorable yield curve. The specific instruments (e.g., swaps, collars and caps) and amounts, and the decision whether or not to enter into any such hedges, will be driven by market conditions.

4. Because any interest rate hedges entered into by the Company will occur outside the Credit Agreement and will not represent advances or letters of

credit under the Iatan Facility, the Company is requesting an order from the Commission granting the additional authorization which would permit the Company to secure its obligations under the interest rate hedges described above with a first priority lien on the electric utility properties of its Aquila Networks - MPS division. Any such interest rate hedges entered into by the Company will be secured solely by the utility collateral that presently secures the Company's payment obligations under the Iatan Facility.

5. The Commission approved a similar request by Kansas City Power & Light Company (KCPL) in Case No. EF-2002-1094.¹ KCPL requested authority to utilize "interest rate management products" to manage interest rates on portions of its variable rate debt, including use of the same hedging instruments sought to be utilized by Aquila. Aquila's request differs somewhat from that of KCPL in the sense the scope of Aquila's request is narrower than that of KCPL (i.e., Aquila's proposal only applies to the financing of its obligations associated with the Project) and Aquila's interest rate hedges with the Iatan Lenders, like the underlying debt obligations, are of a type that will be secured by an encumbrance on its MPS electric utility properties.

6. The secured interest rate hedges will not be detrimental to the public interest. The hedging obligations are directly related to the Company's obligations under the Iatan Facility and the limited purposes for which the Iatan Facility previously has been approved by the Commission. The transactions are to be entered into for the purpose of managing the Company's overall cost of

¹ See, Order Approving Financing, July 22, 2002.

indebtedness incurred over the term of the Iatan Facility and will, therefore, benefit the Company and its ratepayers.

WHEREFORE, the Company requests a supplemental order from the Commission authorizing it to secure its obligations under interest rate hedges related to the Iatan Facility with a first priority security interest in the electric utility properties of Aquila Networks – MPS division.

Respectfully submitted,

/s/ Paul A. Boudreau

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the above and foregoing document was delivered by first class mail or by hand delivery, on this 30th day of March, 2006 to the following:

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