

**THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS**

Before Commissioners:

Brian J. Moline, Chair
John Wine
Robert E. Krehbiel

In the Matter of the Investigation into)	
the Affiliate Transactions between)	Docket No. 02-UTCG-701-GIG
UtiliCorp United, Inc. (UCU) and its)	
Unregulated Businesses.)	

**ORDER ESTABLISHING PROCEDURAL
SCHEDULE**

The above captioned matter comes before the State Corporation Commission of the State of Kansas (Commission) for consideration and decision. After being duly advised in the premises, the Commission enters the following Order Establishing Procedural Schedule:

1. On May 7, 2003, the Commission entered its Order Directing Further Investigation into the restructuring transactions of Aquila, Inc. (Aquila). That order identified the issue under investigation as whether Aquila's financial and debt restructuring plan, including the use of Kansas public utility assets as collateral, is consistent with the applicable statutory standards. The Commission directed that the procedural schedule be established to set the matter on a hearing track.

2. Aquila sought reconsideration of the May 7, 2003 Order. The Commission affirmed its prior decision and directed that the prehearing conference be held to develop a procedural schedule. Pursuant to the Commission's June 26, 2003 Order On Reconsideration, a prehearing conference was conducted on July 9, 2003, for that purpose. The following parties appeared: Ms. Anne Bos, Assistant General

Counsel, on behalf of Commission Staff (Staff); and Mr. James Flaherty on behalf of Aquila. The Hearing Examiner was Mr. John McNish, Advisory Counsel.

3. At the prehearing conference, Aquila urged the Commission to bifurcate the issues regarding the financial and debt restructuring plan from the issues regarding the use of Kansas utility assets as collateral for short-term working capital needs. Aquila submitted that the cash flow analyses, which Staff intends to develop, would only relate to long-term debt and not to short-term indebtedness. Aquila also noted that it had made similar requests to use utility assets as collateral in other states in which it operates as a public utility and that the hearings have been scheduled in those other states ranging from July to October 2003. Aquila requested that the Commission set the collateralization issue in late September 2003.

4. Staff asserted that the cash flow analyses were not only essential to evaluate Aquila's financial and debt restructuring plan but also necessary to evaluate whether Aquila's request to use Kansas utility assets as collateral would result in the over-collateralization of short-term debt. Staff noted that the cash flow analyses are necessary to assure that Aquila's financial and restructuring plan as well as its request to use Kansas utility assets as collateral do not unfairly burden ratepayers with the losses associated with its nonutility investments and businesses. According to Staff, Aquila's request to use Kansas utility assets as collateral is a critical component to Aquila's financial and debt restructuring plan. Staff further submitted that the cash flow analyses required by the Commission's May 7, 2003 Order are complicated, requiring Staff to devote substantial time and resources to complete. Staff requested that the Commission allow sufficient time for Staff to complete the necessary analyses and recommended that the Commission set the matter for hearing in December 2003.

5. The Commission, in an attempt to strike a balance between Aquila's need for regulatory approval with Staff's need for sufficient time to complete the necessary cash flow analyses, finds that the procedural schedule set forth below is reasonable and should be adopted. The Commission recognizes that the parties suggested different hearing dates than the hearing dates established in this order. However, these hearing dates are the only hearing dates available within the time framework suggested by the parties in which the Commission can reserve two days for hearing. Further, the Commission declines to bifurcate the collateralization issue from Aquila's financial and debt restructuring plan. Aquila has inextricably linked its financial and debt restructuring plan to its efforts to sell all of its nonutility investments and collateralize existing debt with public utility assets.

6. Accordingly, the following procedural schedule is hereby ordered:

Staff and Intervenors prefiled direct testimony	October 31, 2003
Aquila prefiled rebuttal testimony	November 14, 2003
Deadline for preliminary motions	November 18, 2003
Prehearing Conference (9:30 a.m.)	November 19, 2003
Technical hearing (11:00 a.m.)	November 20-21, 2003
Simultaneous initial briefs	November 28, 2003
Simultaneous reply briefs	December 4, 2003

**IT IS, THEREFORE, BY THE COMMISSION CONSIDERED AND
ORDERED THAT:**

(A) The procedural schedule is established, as provided above.

(B) Notice is given to the parties that an evidentiary hearing in this matter shall commence on November 20, 2003, at 11:00 a.m. and continuing thereafter until

completed. This hearing will be conducted in the First Floor Hearing Room at the Commission's Offices, 1500 S.W. Arrowhead Road, Topeka, Kansas. Two days have been reserved for hearing. The Commissioners shall preside.

(C) Notice is further given that a prehearing conference shall commence on November 19, 2003, at 9:30 a.m. for the purposes of determining the order for witness presentation and cross-examination and any other matter to assist in an orderly and efficient investigation and hearing process. This prehearing conference will be conducted in the Third Floor Hearing Room at the Commission's Offices, 1500 S.W. Arrowhead Road, Topeka, Kansas. The Advisory Counsel shall preside.

(D) The attorneys designated to appear for the agency in this proceeding are Ms. Susan B. Cunningham, General Counsel, and Ms. Anne Bos, Assistant General Counsel, 1500 S.W. Arrowhead Road, Topeka, Kansas 66604; (785) 271-3110.

(E) This order is effective upon service by mail. Any party may file a petition for reconsideration of this order within fifteen days of the date this order is served. If service is by mail, service is complete upon mailing and three days may be added to the above time.

(F) The Commission retains jurisdiction over the subject matter and the parties for the purpose of entering such further order or orders as it may deem necessary.

BY THE COMMISSION IT IS SO ORDERED.

Moline, Chr.; Wine, Comm.; Krehbiel, Comm.

Dated: AUG 07 2003

ORDER MAILED

AUG 07 2003

 Executive
Director

Susan K. Duffy
Executive Director