

AQUILA, INC.
CASE NO. EF-2003-0465
DATA REQUEST NO. MPSC-15

DATE OF REQUEST: May 29, 2003
DATE RECEIVED: May 29, 2003
DATE DUE: June 18, 2003
REQUESTOR: Joan Wandel

QUESTION:

1. Recent cash working capital studies indicate that all the Missouri regulated utilities actually operate at a negative working capital level. In other words, the studies indicate that Missouri ratepayers currently provide cash to the Company in advance of when the Company must pay for products and services related to the provision of utility service to the ratepayers. Why, therefore, in the Company's opinion, should any of the Missouri-regulated utility assets be pledged as part of this collateralization loan agreement as requested in the Company's Application? Please explain.
2. Why, given the circumstances described above and given the regulatory propensity to maintain separate and distinct operations of utilities on a utility by utility basis (natural gas/electric/steam) and on a jurisdictional basis, did the Company not structure its Applications in such a way as to specifically identify those utilities in need of a cash working capital loan facility thereby leaving assets of those utilities not requiring cash working capital loan facilities unattached and unencumbered?

RESPONSE:

1. The cash working capital study referred to above is an annual cash working study prepared as part of the rate making process. That study does not consider the daily fluctuations in the cash provided or used by the utility. There are daily and seasonal peak working capital fluctuations when the cash needs can exceed the cash generated by the utility, however when viewed annually, those fluctuations are more balanced. The short-term working capital loan is intended to provide Aquila access to cash to cover the daily peak requirements. In addition, the cash working capital study referenced above does not consider cash needs related to timing of cash required for payment of higher gas costs than currently factored into revenue. In a time of increasing gas costs, there can be a timing delay through the PGA process that requires the Company to have access to cash on a temporary basis.
2. As explained above, the working capital loan is structured to cover all of Aquila's utility operations including those jurisdictions whose annual working capital calculations are negative but encounter daily peak fluctuations and require access to short-term working capital funds.

ATTACHMENT: None

ANSWERED BY: Carol Lowndes

JUL 11 2003