

AQUILA, INC.
CASE NO. EF-2003-0465
DATA REQUEST NO. MPSC-27

DATE OF REQUEST: May 30, 2003

DATE RECEIVED: May 30, 2003

DATE DUE: June 19, 2003

REQUESTOR: Joan Wandel

QUESTION:

Given that the Missouri assets, in their entirety, are sufficient to meet the collateral obligations of the \$250 million portion of the \$430 million three-year Term Loan, what safeguards have been put in place to ensure that the assets from all the domestic utility operations which are granted approval by their state commissions to pledge their assets for the purposes of this loan will be included on a pro-rata basis as pledged assets to replace the Canadian properties and that the Company would not pledge:

1. Only the Missouri assets or
2. A disproportionate amount of Missouri assets?

RESPONSE:

First, the Company has already pledged its utility assets in Nebraska and Michigan to the \$430 million Term Loan. Moreover, the Company does not intend to replace the existing security arrangements with only the Missouri assets. Aquila has also filed in Colorado, Minnesota, Iowa, and Kansas for approval to pledge its assets in each of those states to the \$430 million Term Loan. In terms of "safeguards", Rick Dobson states on page 11 of his Direct Testimony the Company's objective of pledging all of the states to the \$430 million Term Loan. Aquila plans on pledging its regulated assets to the Term Loan once it receives the appropriate approvals. If one or a number of state's do not grant their approvals, then there will be a disproportion between the state assets pledged and the percentage of the working capital facility used to support Aquila's utility operations in those states. Second, we have been advised that Aquila cannot partially mortgage a state utility property (i.e. an individual cannot mortgage only a room in their house). As explained by Rick Dobson in his testimony, the entire state utility property would be mortgaged but only a portion is needed to support the loan. If Aquila is successful in receiving approvals from all states, the loan will be over-collateralized.

ATTACHMENT: NA

ANSWERED BY: Mike Cole

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JUL 11 2003