

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION**

At a session of the Public Service
Commission held at its office in
Jefferson City on the 13th day of
June, 2006.

In the Matter of a Management Audit of)
Aquila, Inc., d/b/a Aquila Networks-MPS)
and Aquila Networks-L&P)

Case No. EO-2006-0356

**ORDER REQUIRING A MANAGEMENT AUDIT OF AQUILA, INC. AND
SPECIFYING THE ISSUES TO BE ADDRESSED**

Issue Date: June 13, 2006

Effective Date: June 13, 2006

On March 16, 2006, the Office of the Public Counsel filed a motion expressing its concern that Aquila, Inc., is being mismanaged to the detriment of its ratepayers. Public Counsel asked the Commission to conduct a management audit of Aquila to evaluate the quality of Aquila's management. After receiving responses from its Staff and from Aquila, the Commission scheduled a conference to take place on May 15. The Commission directed the participants in the conference to discuss the need for a formal management audit, as well as the purpose of such an audit, and the means by which an audit would be conducted.

After participating in the conference, Staff, Public Counsel, and Aquila filed a report on May 30. The joint report indicates that the parties have agreed upon the scope of Staff's audit, as well as a time frame for the completion of Staff's investigation. The parties have agreed that Staff's investigation will examine the impacts on Missouri consumers of Aquila's past decisions regarding 1) incentive compensation; 2) executive compensation; 3)

employee bonus payments; 4) pension and other post-employee benefits funding controls; 5) the South Harper generating facility; and 6) the Staff will complete its ongoing investigation of allegations that an individual has made regarding particular activities at Aquila. Staff estimates that it will complete a draft report regarding the results of its investigation by September 15, 2006. Thereafter, Public Counsel and Aquila will be given an opportunity to comment on that draft, and Staff anticipates filing its final report in this case by October 31, 2006.

The Commission will accept the recommendations of the parties, but it will also direct Staff to investigate several additional issues. The additional issues are as follows:

7) decisions that Aquila has made to invest in unregulated activities;

8) decisions that Aquila has made related to efforts to protect its regulated activities from the company's involvement in unregulated activities;

9) decisions that Aquila has made that involve activity that was illegal, inappropriate, or improper under State or Federal statutes or regulations.

10) decisions that Aquila has made regarding the Aries facility.

Staff shall determine the timeframe to be investigated relative to each issue. Staff shall also, as part of its report, indicate the extent to which the results of its investigation can be used in any future rate case brought by Aquila.

The procedures that the parties have proposed for the conduct and reporting of the results of Staff's investigation are reasonable and the Commission will accept them.

IT IS ORDERED THAT:

1. The Staff of the Commission, the Office of the Public Counsel, and Aquila, Inc., shall proceed with the investigation of Aquila, Inc., in the manner described in their

report filed on May 30, 2006, with the inclusion of the additional issues identified in this order.

2. This order shall become effective on June 13, 2006.

BY THE COMMISSION

A handwritten signature in black ink, appearing to read 'Colleen M. Dale', written over a horizontal line.

Colleen M. Dale
Secretary

(S E A L)

Davis, Chm., Gaw, and Clayton, CC., concur
Murray and Appling, CC., dissent

Woodruff, Deputy Chief Regulatory Law Judge