

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION**

At a session of the Public Service
Commission held at its office in
Jefferson City on the 6th day of
June, 2006.

In the Matter of the Application of Aquila, Inc., for)
Approval of its Experimental Regulatory Plan and)
for a Certificate of Convenience and Necessity)
an Experimental Regulatory Plan Related to)
Generation Plant)

Case No. EO-2005-0293

ORDER GRANTING MOTION FOR SUPPLEMENTAL ORDER

Issue Date: June 6, 2006

Effective Date: June 16, 2006

Syllabus: This order grants the Motion for Supplemental Order filed by Aquila, Inc., which will allow Aquila 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.

On March 30, 2006, Aquila filed its Motion for Supplemental Order, asking for authority beyond what the Commission gave Aquila in its August 9, 2005 Order Approving Stipulation and Agreement. The Commission's August 9, 2005 order allowed Aquila to encumber its Aquila Networks-MPS assets to support a five-year, multi-draw, term loan that would allow Aquila to participate in building Iatan Unit 2 and upgrading Iatan Unit 1. Aquila's March 30, 2006 motion asks for express authority to enter into certain hedging agreements designed to minimize Aquila's variable interest rate exposure, with those hedges also being secured by Aquila Networks-MPS's assets.

The Staff of the Commission filed its Recommendation on May 30, 2006. Staff recommends that the Commission grant Aquila's motion, subject to the following conditions:

1. The outstanding amount of the authorized loan encumbrance plus the hedging exposure should not exceed the encumbrance authority of \$300 million the Commission authorized in this case by its August 9, 2005 order;

2. Aquila should submit to the Commission's Financial Analysis Department all final terms and conditions on each interest rate hedging agreement that encumbers assets of the Aquila Networks-MPS division ;

3. Aquila should submit to the Commission's Financial Analysis Department quarterly reports on the performance of the interest rate hedging agreements that encumber assets of the Aquila Networks-MPS division, including the nature of any activity or inactivity during the reported quarter. The quarterly reports shall contain the information and be in the format shown in Attachment 1 to the Staff Recommendation.

Aquila responded to Staff's Recommendation on June 1, and stated that it did not object to Staff's conditions.

The Commission's authority over Aquila's encumbering its Missouri assets that are necessary or useful in serving the public is found in Section 393.190, RSMo 2000. That statutory section does not include an explicit standard of review. However, this Commission stated earlier in this case that it should approve Aquila's request if doing so would not be detrimental to the public interest. The Commission has reviewed this motion under that same standard of not detrimental to the public interest.

The Commission has reviewed the motion and the verified Staff Recommendation, which are accepted into evidence. Based upon its review, the Commission concludes that

granting the motion would not be not detrimental to the public interest, and, therefore, the Commission will grant the motion, subject to Staff's recommended conditions.

IT IS ORDERED THAT:

1. The Motion for Supplemental Order filed by Aquila, Inc., on March 30, 2006 is granted, subject to the following conditions:

a. The outstanding amount of the authorized loan encumbrance plus the hedging exposure shall not exceed the encumbrance authority of \$300 million the Commission authorized in this case by its August 9, 2005 order;

b. Aquila shall submit to the Commission's Financial Analysis Department all final terms and conditions on each interest rate hedging agreement that encumbers assets of the Aquila Networks-MPS division ;

c. Aquila shall submit to the Commission's Financial Analysis Department quarterly reports on the performance of the interest rate hedging agreements that encumber assets of the Aquila Networks-MPS division, including the nature of any activity or inactivity during the reported quarter. The quarterly reports shall contain the information and be in the format shown in Attachment 1 to the Staff Recommendation.

2. This order shall become effective on June 16, 2006.

3. This case may be closed on June 17, 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, Clayton,
and Appling, CC., concur.
Murray, C., absent.

Pridgin, Regulatory Law Judge