# *HC*

# SCHEDULE WEB-4

HC

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Plan Approved: February 15, 2006

First Hedges Placed: February 16, 2006

First Month Hedged: April 2006

Last Hedge Placed: October 29, 2007

Most Forward Hedge: August 2010, placed 10/29/07

Purpose of hedging plan: To moderate price fluctuations.

Design: Aquila's hedging plan for natural gas to cover steam generation would be designed to be market neutral. Market neutral means the utility is not trying to make a directional call on whether the price of Natural Gas is rising or falling but rather methodically purchasing financial contracts that result in an average market cost over an extended period of time. This approach dampens the affect of rapidly rising or declining markets on the cost of supply.

Plan: 1/3, 1/3, 1/3 portfolio
1/3 of budgeted volumes with fixed price (NYMEX swaps),
1/3 with options (either long calls or combination of long calls and short puts),
1/3 to swing with the market.

The volumetric forecasts for the natural gas portion of steam generation would be developed as part of the fuel budget process. This budget is typically developed prior to July 15th of each year. Energy Resources would then commence purchasing a proportional quantity of fixed price and option positions during each month of the purchase period, with the purchase period consisting of two years proceeding the budget year, with the purchase period ending in October of the preceding year.

- 2007 volume will be purchased proportionally beginning with plan implementation (February 16, 2006) through October 2006
- 2008 volume will be purchased proportionally from plan implementation (February 16, 2006) through Oct 2007, and
- 2009 volumes would be purchased proportionally from Oct 2006 through Oct 2008.
- Volumes for 2006 would be covered as soon as the plan is approved by management, most likely consisting of April through December volumes.

- Updates to hedged volumes will occur with changes made to the budget as reruns occur.