

Aquila, Inc., dba**AQUILA NETWORKS** For All Territory Served by Aquila Networks – L&P and Aquila Networks – MPS
KANSAS CITY, MO 64138FUEL ADJUSTMENT CLAUSE
ELECTRICDEFINITIONS

ACCUMULATION PERIOD:

The two six-month accumulation periods each year, the two corresponding twelve-month recovery periods and filing dates will be as follows:

<u>Accumulation Period</u>	<u>Filing Date</u>	<u>Recovery Period</u>
June – November	By January 1	March – February
December – May	By July 1	September – August

RECOVERY PERIOD:

The billing months during which the Cost Adjustment Factor (CAF) for each of the respective accumulation periods are applied to retail customer billings on a per kilowatt-hour (kWh) basis.

COSTS:

Costs eligible for Fuel Adjustment Clause (FAC) will be the Company's allocated variable Missouri Jurisdictional costs for the fuel component of the Company's generating units, purchased power energy charges, and emission allowance costs. Eligible costs do not include the purchased power demand costs associated with purchased power contracts.

APPLICATION

The price per kWh of electricity sold will be adjusted subject to application of the FAC mechanism and approval by the Missouri Public Service Commission. The price will reflect accumulation period Missouri Jurisdictional costs above or below base costs for:

1. variable fuel components related to the Company's electric generating plants;
2. purchased power energy charges;
3. emission allowance costs;
4. an adjustment for recovery period sales variation. This is based on the difference between the values of the FAC as adjusted minus actual FAC revenue during the recovery period. This amount will be collected or refunded during a succeeding recovery period;
5. interest on deferred electric energy costs, which shall be determined monthly. Interest shall be calculated at a rate equal to the weighted average interest rate paid on short-term debt, applied to the month-end balance of deferred electric energy costs. The accumulated interest shall be included in the determination of the CAF.

The FAC will be the aggregation of (1), (2), (3), minus the base cost of fuel, all times 95%, plus or minus (4), plus (5), above.

The Cost Adjustment Factor is the result of dividing the FAC by estimated kWh sales during the recovery period, rounded to the nearest \$.0001, and aggregating over two accumulation periods. The formula and components are displayed below.

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ELECTRIC

$$FAC_{Sec} = \{[95\% * (F + P + E - B)] * \{(S_{ASec} * L_{Sec}) / [(S_{ASec} * L_{Sec}) + (S_{APrim} * L_{Prim})]\}\} + C_{Sec} + I_{Sec}$$

$$FAC_{Prim} = \{[95\% * (F + P + E - B)] * \{(S_{APrim} * L_{Prim}) / [(S_{ASec} * L_{Sec}) + (S_{APrim} * L_{Prim})]\}\} + C_{Prim} + I_{Prim}$$

The Cost Adjustment Factor (CAF) is as follows:

$$\text{Single Accumulation Period Secondary Voltage CAF} = FAC_{Sec} / S_{RSec}$$

$$\text{Single Accumulation Period Primary Voltage CAF} = FAC_{Prim} / S_{RPrim}$$

$$\text{Annual Secondary Voltage CAF} =$$

Aggregation of the Single Accumulation Period Secondary Voltage CAFs still to be recovered

$$\text{Annual Primary Voltage CAF} =$$

Aggregation of the Single Accumulation Period Primary Voltage CAFs still to be recovered

Where:

FAC_{Sec} = Secondary Voltage FAC

FAC_{Prim} = Primary Voltage FAC

95% = Customer responsibility for fuel variance from base level

F = Actual variable cost of fuel in FERC Accounts 501 & 547

P = Actual cost of purchased energy in FERC Account 555

E = Actual emission allowance cost in FERC Account 509

B = Base variable fuel costs, purchased energy, and emission allowances are calculated as shown below:

Aquila Networks – L&P $S_A \times \$0.01799$

Aquila Networks – MPS $S_A \times \$0.02538$

C = Under / Over recovery determined in the true-up of prior recovery period cost, and modifications due to prudence reviews

C_{Sec} = Lower than Primary Voltage Customers

C_{Prim} = Primary and Higher Voltage Customers

S_A = Actual sales (kWh) for the accumulation period

S_{ASec} = Lower than Primary Voltage Customers

S_{APrim} = Primary and Higher Voltage Customers

S_R = Estimated sales (kWh) for the recovery period

S_{RSec} = Lower than Primary Voltage Customers

S_{RPrim} = Primary and Higher Voltage Customers

I = Interest

I_{Sec} = Lower than Primary Voltage Customers

I_{Prim} = Primary and Higher Voltage Customers

L = Loss factor by voltage level

L_{Sec} = Lower than Primary Customers

L_{Prim} = Primary and Higher Customers

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FUEL ADJUSTMENT CLAUSE (CONTINUED) ELECTRIC
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The FAC will be calculated separately for Aquila Networks – L&P and Aquila Networks – MPS and by voltage level, and the resultant CAF's will be applied to customers in the respective divisions and voltage levels.

APPLICABLE BASE ENERGY COST

Company base energy cost per kWh sold, \$0.01799 for Aquila Networks – L&P, and \$0.02538 for Aquila Networks – MPS.

TRUE-UPS AND PRUDENCE REVIEWS

There shall be prudence reviews of costs and the true-up of revenues collected with costs intended for collection. FAC costs collected in rates will be refundable based on true-up results and findings in regard to prudence. Adjustments, if any, necessary by Commission order pursuant to any prudence review shall also be placed in the FAC for collection unless a separate refund is ordered by the Commission. True-ups occur at the end of each recovery period. Prudence reviews shall occur no less frequently than at 18 month intervals.

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ELECTRICCOST ADJUSTMENT FACTOR

Aquila Networks – L&P		Total		Secondary		Primary
Accumulation Period Ending		mm/dd/yy				
1 Total energy cost (F, P, and E)		\$0				
2 Base energy cost (B)	-	\$0				
3 First Interim Total		\$0				
4 Base energy (S _A) by voltage level				0		0
4.1 Loss factors (L)			*	108.443%	*	106.231%
4.2 S _A adjusted for losses				0		0
4.3 Loss factor weights			*	00.000%	*	00.000%
5 Customer Responsibility	*	95%				
6 Second Interim Total by voltage level		\$0		\$0		\$0
7 Adjustment for Under / Over recovery for prior periods (C)			±	\$0	±	\$0
8 Interest (I)			±	\$0	±	\$0
9 Fuel Adjustment Clause				\$0		\$0
10 Estimated recovery period sales kWh (S _R)			÷	0	÷	0
11 Current period cost adjustment factor				\$0.0000		\$0.0000
12 Previous period cost adjustment factor			+	\$0.0000	+	\$0.0000
13 Current annual cost adjustment factor				\$0.0000		\$0.0000

Aquila Networks – MPS		Total		Secondary		Primary
Accumulation Period Ending		mm/dd/yy				
1 Total energy cost (F, P, and E)		\$0				
2 Base energy cost (B)	-	\$0				
3 First Interim Total		\$0				
4 Base energy (S _A) by voltage level				0		0
4.1 Loss factors (L)			*	107.433%	*	104.187%
4.2 S _A adjusted for losses				0		0
4.3 Loss factor weights			*	00.000%	*	00.000%
5 Customer Responsibility	*	95%				
6 Second Interim Total by voltage level		\$0		\$0		\$0
7 Adjustment for Under / Over recovery for prior periods (C)			±	\$0	±	\$0
8 Interest (I)			±	\$0	±	\$0
9 Fuel Adjustment Clause				\$0		\$0
10 Estimated recovery period sales kWh (S _R)			÷	0	÷	0
11 Current period cost adjustment factor				\$0.0000		\$0.0000
12 Previous period cost adjustment factor			+	\$0.0000	+	\$0.0000
13 Current annual cost adjustment factor				\$0.0000		\$0.0000