AQUILA; INC.
CASE NO. EF-2003-0465
DATA REQUEST NO. MPSC-40

DATE OF REQUEST: June 4, 2003

DATE RECEIVED: June 4, 2003

DATE DUE: June 24, 2003

REQUESTOR: Joan Wandel

QUESTION:

Please describe in detail how the Company proposes to pledge the assets for the 3-year Term Loan once the Canadian properties are sold under the following scenarios, including but not limited to the method of allocation, the exact dollar amount of regulated assets pledged by state and the dollar amount of any non-regulated assets being pledged and the percent of regulated assets pledge by jurisdiction and the percent of non-regulated assets pledged:

- All five states give a blanket approval of the use of regulated assets to secure the 3-year Term Loan in its entirety.
- Only Missouri, Kansas and Colorado approve the use of regulated assets to secure the 3-year Term Loan in its entirety.
- Only Colorado, Minnesota and Iowa approve the use of regulated assets to secure the 3-year Term Loan in its entirety.
- All five states approve the use of regulated assets to secure the 3-year Term Loan but the assets may only be used to secure the portion of the loan that has been designated as needed for domestic regulatory operations, i.e. the $250 million portion.
- Only Missouri, Kansas and Colorado approve the use of regulated assets to secure the 3-year Term Loan but the assets may only be used to secure the portion of the loan that has been designated as needed for domestic regulatory operations, i.e. the $250 million portion.
- Only Colorado, Minnesota and Iowa approve the use of the regulated assets to secure the 3-year Term Loan but the assets may only be used to secure the portion of the loan that has been designated as needed for domestic regulatory operations, i.e. the $ 250 million portion.
- Kansas and Colorado give blanket approval to pledge their regulated assets as collateral for the 3-year Term Loan and all the other three states approve the use of the regulated assets to be used only to secure the regulated portion of the Term Loan, i.e. the $250 million portion.
- Colorado, Minnesota and Iowa give blanket approval to pledge the regulated assets and Missouri and Kansas give approval to pledge the regulated assets only for the regulated portion of the 3-year Term Loan, i.e. the $250 million portion.
- Only Missouri gives approval for the regulated assets to be pledged for the purpose of securing the regulated portion of the 3-year Term Loan, i.e. the $250 million portion, and all the other states rule against the respective applications.
- Only Missouri approves the use of the regulated assets to secure the 3-year Term Loan in its entirety.

RESPONSE:

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The Company is required by the Term Loan documentation to use its commercially reasonable efforts to obtain the approvals necessary to pledge its regulated assets as collateral, and then upon receiving the necessary approvals, promptly cause the additional property to become subject to the lien of the First Mortgage Bond Indenture. The Company must pledge (via a lien under the First Mortgage Bond Indenture) whatever regulated assets are available as security. If some states restrict the amount while others allow all of the assets into the security package, then Aquila can only pledge those assets for which it has approval.

If the Company receives the necessary approvals, it cannot voluntarily choose to scale back the assets pledged from a particular state in order to "secure a portion" of the loan. If there are states that deny the Company's request, Aquila will continue to provide working capital to those state operations, but can only do so based on the support rendered by those states that allowed assets to be pledged. . If all states prohibit asset pledges, then it is possible that the ultimate size of the facility available to support Aquila's regulated operations could be adversely impacted.

While our response to this request has not specifically addressed each scenario listed above, it does explain the relevant factors that will influence or dictate an outcome for each scenario. Without knowing how each state will react to the Company's application, it is difficult at this point to address the above scenarios in any more detail. However, as described in Mr. Dobson's testimony, it is Aquila's position that regulated collateral will be used to support regulated working capital requirements (i.e. $250 million) and nonregulated collateral will support nonregulated working capital requirements.

ATTACHMENT: NA

ANSWERED BY: Mike Cole