



LETTER No. L-28-02

ROBERT J. PELLATT
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VIA FACSIMILE

June 28, 2002

Mr. Chuck Lee
Vice President, Regulatory Affairs
Aquila Networks Canada (Alberta) Ltd.
#700, 801-7th Avenue SW
Calgary, Alberta. T2G 3P7

Dear Mr. Lee:

Re: Aquila Networks Canada (British Columbia) Ltd. ("Aquila")
Series J Debentures

This will acknowledge receipt of your June 17, 2002 letter applying to the Commission for approval in principle to issue a new series of debentures identified as Series J. The issue will be for \$50 million at an interest rate not to exceed 7.2 percent, for a term of seven years, and will be used to reduce floating rate debt and bank lines of credit.

The Commission has reviewed your application and gives its approval in principle for the proposed financing transaction, pursuant to Section 50 of the Utilities Commission Act. Following final approval by the Board of Directors, and upon application, the Commission will issue an Order based on the terms outlined in the June 17, 2002 application.

The application also requests that the Commission rescind the section of Commission Order No. G-31-87 that directs Aquila Inc. to provide financial support to Aquila. However, the conditions imposed in that Order were the subject of a public hearing on the UtiliCorp application to purchase West Kootenay Power and Light Company, Limited. The conditions were an integral part of the Decision and approval of the Application was based in part on the protection of the public interest which they provide. The Commission is unwilling to lift the requirement at this time and believes that this issue should be raised at the next Aquila revenue requirements proceeding.

Yours truly,

Original signed by:

Robert J. Pellatt

BMK/rt
cc: Mr. George Isherwood
Manager, Rates and Contracts Administration
Aquila Networks Canada (British Columbia) Ltd.