

Reitz, Christopher

**From:** Manion, Nancy  
**Sent:** Wednesday, January 31, 2007 4:33 PM  
**To:** [REDACTED]; Herman Cain ([REDACTED]); Irvine O. Hockaday Jr.  
[REDACTED]; Nicholas Singer (Nick)  
[REDACTED]; Patrick Lynch ([REDACTED]); [REDACTED]  
**Cc:** Armstrong, Beth; Empson, Jon; Morton, Leo; Reitz, Christopher; Stamm, Keith; Bellville,  
Debbie; Debbie Hackett ([REDACTED]); Green, Rick; Harris, Loretta;  
[REDACTED]; Karleen Mahn  
**Subject:** Material for the February 2, 2007 Special Board Meeting  
**Attachments:** Board Agenda - Special Meeting Feb 2 2007.pdf; Navy Price Risk Paper.pdf; Communications  
Plan Project 132 \_2\_.pdf

Ag Proc Exhibit No. 304  
Case No(s) EM-2007-0374  
Date 12-7-07 Rptr PF Attorney Work Product

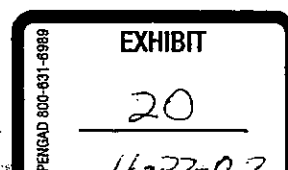
Dear Directors:

Since my last update, I have spoken to Brian Moline, Chairman of the Kansas Corporation Commission (KCC). Chairman Moline had already spoken to Mike Chesser and he reiterated to me his support for a transaction. Although we did not discuss it, it has been rumored that Chairman Moline will be leaving the KCC within a matter of weeks. The KCC will probably wait for the Missouri Public Service Commission to act on the merger request before they rule. We also think it is plausible that they will place "business mix" restrictions on Black Hills before approving the sale of our Kansas gas properties. Black Hills is aware of this and they do not believe it will be an issue for them. We agreed to facilitate a meeting in Topeka between the Black Hills executive team and the Staff of the Kansas Corporation Commission. That meeting is today. The primary purpose is to introduce the two parties.

I also had another meeting with Mike Chesser. He confirmed that they received the same mixed signals in Jefferson City. Chairman Davis indicated he would support the transaction – including the 2007 rate case while the Staff of the Missouri Public Service Commission indicated they would oppose anything but a generic merger application. I was surprised when Mike shared his disappointment that we informed Staff about details such as the 2007 rate case and the planned use of accelerated amortization for our electric properties. I indicated that the meetings would have had little value to us if we did not understand how they would react to the actual plan. He did agree that Aquila bears a lot more risk if the transaction proceeds but does not close.

Mike went on to say that Staff knew what everyone else had bid in our process. I did not mention that they were the only ones who submitted a bid and presume he was referring to the indicative bids. Upon further investigation, I was reminded that Staff has access to the books prepared for the Board as well as presentations during Board meetings and have been reviewing same as part of our current rate case. I followed up with Mike and he seemed to understand. Finally, Mike said that he intends to bring his Chief Financial Officer, Terry Bassham to our meeting on Friday. Terry is acting as their chief negotiator for this transaction.

The last significant outstanding item in our negotiations with Great Plains is the 2007 rate case. Their position is that they need to have the right to order us to file the case. We had been informed that they were intractable on this point. Our initial response was that we could not cede control of our company's revenue line prior to close. After further discussions, we have ascertained that their primary concern centers around one particular credit metric; Fund From Operations relative to Total Debt (FFO/Debt). With that knowledge, we offered to cede control of the Missouri 2007 rate case decision if, in 2007, our FFO/Debt drops below a predetermined point. Today, they agreed with that concept.



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With respect to the meeting on Friday, you will find a number of attachments to this email. In addition to the agenda a paper which provides some additional perspective on the price risk of Great Plains stock and; an overview of the communication plan on announcement day. At the meeting Beth Armstrong will present a preliminary forecast update of our 2007 and 2008 financial plan which reflects the costs of the Project 132 transactions. We want to cover these items for the sake of completeness.

I look forward to seeing you in Dallas on Friday.

-- Rick



Board Agenda -  
Special Meeting...



Navy Price Risk  
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Communications  
Plan Project 13...