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Issues: Aries
Witness: Max A. Sherman
Sponsoring Party: Aquila Networks-MPS & L&P
Case No.: ER-2004-0034 & HR-2004-0024 (Consolidated)

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Rebuttal Testimony

of

Max A. Sherman

Denotes Highly Confidential Information

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Exhibit No. 60NP
Case No(s). ER-2004
Date 2/23/04 Rptr KF

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REBUTTAL TESTIMONY OF
MAX A. SHERMAN
AQUILA, INC. D/B/A AQUILA NETWORKS-MPS
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**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI
REBUTTAL TESTIMONY OF MAX A. SHERMAN
ON BEHALF OF AQUILA, INC.
D/B/A AQUILA NETWORKS-MPS AND AQUILA NETWORKS-L&P
CASE NOS. ER-2004-0034 AND HR-2004-0024 (CONSOLIDATED)**

Q. Please state your name and business address.

A. Max A. Sherman, 10418 West 125th Terrace, Overland Park, KS 66213.

Q. What is the purpose of your testimony?

A. I have been retained by Aquila, Inc. ("Aquila" or "Company") to review and respond to the Commission Staff's ("Staff") direct testimony as filed in Case No. ER-2004-0034, as that testimony relates to the charges being paid by Aquila Networks – Missouri Public Service ("MPS" or "Missouri Public Service") to MEP Pleasant Hill, LLC for capacity and energy supplied to MPS by the Aries Plant in Pleasant Hill, Missouri.

Q. Is this testimony based on your work with MPS?

A. No. As my resume attached as Schedule MS-1 shows, my positions with Aquila were always on the non-regulated merchant side of the Company. My testimony is based upon my personal involvement in Aquila's merchant business.

Q. Please describe your educational background.

A. I graduated with a Bachelor of Science degree in Engineering from the University of California at Los Angeles ("UCLA") in 1971. I subsequently graduated in 1974 from UCLA with a Master of Science degree in Engineering, with a specialization in metallurgy and metal processing. I also earned a Master of Science degree in Nuclear Engineering in 1975 from the University of Wisconsin (Madison).

Q. Please describe your work experience.

A. I have over twenty-five years of experience in development, design, construction, operation, asset management, regulation, and origination and power marketing with regard to generating assets in the electric power industry. The assets in question have been nuclear, coal, gas/oil steam boilers, combined cycle, and peaking combustion turbine generation. This experience was obtained while I was employed by both utilities and utility affiliates, with the vast majority involving generating assets located in the Southwest Power Pool ("SPP") and Southeastern Electric Reliability Council ("SERC") regions. My resume is attached as Schedule MS-1.

Q. Before proceeding, please define each of the abbreviations used in your testimony.

A. The abbreviations and the entities they represent are as follows:

Company	Aquila, Inc., formerly UtiliCorp United Inc.
MPS	Aquila, Inc.'s regulated electric operations formerly known as Missouri Public Service, a division of the Company.
MEPPH	MEP Pleasant Hill, LLC, the entity formed by Aquila Merchant to own and operate its power plant at Pleasant Hill, Missouri. It is now co-owned by subsidiaries of Aquila and Calpine Corporation.
Aquila Merchant	Aquila Merchant Services, Inc., a wholly owned subsidiary of the Company. Aquila Merchant operations include Aquila Power Corp., Aquila Energy Marketing Corp., Merchant Energy Partners and MEPPH.
FERC	Federal Energy Regulatory Commission
MoPSC	Missouri Public Service Commission (also referred to as "Commission")
PSA	Power Supply Agreement between MEPPH and MPS, dated February 22, 1999
Staff	Staff of the Missouri Public Service Commission

Q. Have you previously filed testimony before the Commission?

A. No.

Q. *Have you participated in rate or other regulatory proceedings before other commissions?*

A. Yes. As a power marketer and a business development manager for firms affiliated with Entergy, I was responsible for preparing FERC filings to obtain approval for certain capacity and associated energy sales to other utilities. While at the Company, I submitted testimony in a FERC proceeding where Aquila filed a complaint alleging that another utility had failed to comply with its Open Access Transmission Tariff ("OATT") obligations under FERC Order 888.

Q. Have you testified before state legislative bodies?

A. Yes. I have testified before the Kansas House Utilities Committee, Kansas Senate Utilities Committee, and a Missouri House/Senate Joint Interim Committee on Telecommunications and Energy.

Q. How have you organized your rebuttal testimony?

A. I will be rebutting the testimony of Staff witnesses Mr. Mark L. Oligschlaeger and Mr. Cary G. Featherstone as their direct testimony addressed the issue of the PSA and their proposed disallowance of a portion of the capacity charges related to that contract. I have organized my rebuttal testimony as follows:

1. Executive Summary
2. I explain why Staff is wrong in its belief that MPS entered into the PSA with MEPPH in order to enhance Company profits at its customers' expense.
    a. I explain my work in responding to the MPS request for proposal ("RFP") that led to the PSA.

b. I explain that the RFP process and subsequent negotiations recognized that any power supply agreement would be subject to close regulatory scrutiny.

c. I explain why the PSA is a fair and balanced contract from Aquila Merchant's perspective.

d. I review the decision, from Aquila Merchant's perspective, to enter into the transaction with Missouri Public Service;

3. I explain the major cost elements that Staff overlooked or ignored in its proposed disallowance of capacity costs under the Power Supply Agreement;
4. I show why no disallowance of costs is appropriate when all major cost elements of the plant are considered.

1. EXECUTIVE SUMMARY

Q. What is the executive summary of your Rebuttal Testimony?

A. The conclusions of my testimony are as follows:

1. Based on my direct involvement in the bidding process, the process was fair and complied with the FERC code of conduct on affiliate transactions. No favoritism was shown to Aquila Merchant by MPS.
2. The PSA is fair and balanced.
3. Based on what Aquila Merchant knew at the time, the decision to enter into the transaction with MPS made sense. The bid price to MPS was low but judged adequate to initiate the project, and it was expected that sales to others would provide the remaining revenues needed to support the plant economics. The plant cost was reasonable then and now, and replication costs would in all likelihood be higher today.

4. Staff's analysis considers only the cost associated with a permanent financing that did not occur. Staff did not consider operation and maintenance costs, PILOT ("payments in lieu of taxes") payments to Cass County, actual interest expense, depreciation and amortization, or a return on the equity that has been invested by the partners in the plant. When those costs that were overlooked or not considered by Staff are recognized, MPS capacity payments are far less than what would result from a pro rata allocation of actual fixed costs. Failure to recognize those costs in Staff's analysis invalidates Staff's conclusions.

5. When Staff's methodology is corrected by incorporating substantial and material fixed costs that were not considered, the resulting cost allocation exceeds what MPS is paying in capacity charges under the PSA. As a result, the capacity charge is fully justified and no disallowance of such costs in MPS rates is reasonable or appropriate.

2. STAFF IS INCORRECT THAT FAVORITISM AND "A GOAL OF MAXIMIZING PROFITS" WERE THE BASIS FOR THE PSA

a. MEP Participation in the RFP Process

Q. What is the purpose of this part of your testimony?

A. My purpose is to rebut statements by Mr. Oligschlaeger in his Direct Testimony alleging that favoritism was shown in the award to Aquila Merchant.

Q. What did Mr. Oligschlaeger state?

A. He alleged that affiliate abuse had occurred and that it was the intent of Company senior management to increase profits at the expense of the utility and its native load customers.

See Oligschlaeger Direct Testimony at p. 3, lines 1-4; pp. 10-11; pp. 14-16. He concluded that favoritism was shown in making the award to Aquila Merchant.

Q. How will you rebut the Staff witness' conclusions?

A. I will explain Aquila Merchant's participation in the MPS RFP process that led to the PSA with MEPPH. This testimony is based on my personal knowledge of these events. I will explain why the PSA is a fair and balanced contract from Aquila Merchant's perspective. I will also review the decision, from Aquila Merchant's perspective, to enter into the transaction with MPS.

Q. Did Aquila Merchant participate in this RFP process?

A. Yes. Aquila Merchant responded to the RFP issued on May 22, 1998.

Q. Which Aquila Merchant entities participated?

A. The initial participant was Aquila Power Corp., a power marketing subsidiary of Aquila Merchant. Later, Merchant Energy Partners participated.

Q. What did Aquila Power Corp. offer?

A. In July 1998, Aquila Power offered capacity from a combined cycle unit to be constructed and owned by LS Power in Batesville, Mississippi. The proposal is provided in Schedule MS-2.

Q. Please describe the project.

A. A combined cycle power plant typically consists of the following: (a) one or more combustion turbine-generators fueled by natural gas; (b) heat recovery steam generators ("HRSGs") that use the exhaust energy from the combustion turbines to make steam; and (c) one or more steam turbine-generators that use the steam from the HRSGs to make additional electricity.

The Batesville Plant, developed by LS Power, consists of three "1x1" combined cycle "trains." Each "train" consists of a combustion turbine-generator, a heat recovery steam generator, and a steam turbine-generator set. The project is located at an industrial park in Batesville, Mississippi, and is directly interconnected with Entergy Mississippi, Inc. and the Tennessee Valley Authority. The project includes a pipeline lateral that interconnects with multiple interstate natural gas pipelines.

Q. Why was Aquila Power able to offer capacity and energy from this project?

A. Aquila Power had negotiated and entered into a "tolling agreement" with the developer in May 1998 for rights to all the capacity and associated energy from one of the "trains" at the Batesville Plant. The "train" that was ultimately assigned to the contract was designated Unit 3, and will be referred to henceforth as Batesville Unit 3.

Q. What is a tolling agreement?

A. It is a common industry term used to describe the charge or "toll" paid to use an energy facility, similar to the toll a driver pays to cross a bridge or drive on a turnpike. A tolling agreement is similar to a unit power sales agreement where the purchaser gains the right to take capacity and associated energy from a specified power plant. However, in a tolling agreement the purchaser is responsible for the fuel supply. A good analogy is to a car lease. The lessee doesn't own the car, but under the lease pays a monthly fee for the right to use the car and independently pays for the gasoline (fuel). If the lessor is responsible for the car's maintenance, such leases typically charge the lessee a mileage fee to cover that maintenance expense. At the end of the lease, the car is returned to the owner and the lessee's obligations end. The lessee then makes other arrangements for transportation or, in this case, the supply of capacity and energy.

Q. Was Aquila Power's decision to enter into a purchase commitment from Batesville Unit 3 in any way related to the Missouri Public Service RFP?

A. No, however, an understanding of Aquila's interest in the Batesville Unit 3 is relevant to MEPPH's decision to respond to the MPS RFP.

Q. Please explain.

A. In December 1997, the project developer (LS Power) issued a request that asked interested purchasers to submit prices at which they were willing to purchase capacity and energy from the project. Aquila Power responded in late January 1998, and was short listed in February 1998. Contract negotiations were held through May 1998, and the contract was executed on May 21, 1998. The power marketers at Aquila Power did not become aware of the existence of the Missouri Public Service RFP until June 1998.

Q. What role did you play in negotiation of the Batesville Unit 3 tolling agreement?

A. I led the Aquila Merchant negotiation team in its dealings with LS Power.

Q. Why did you have this assignment?

A. At the time, I was a power marketing director for Aquila Power for the south central U.S. region, where the Batesville plant was located.

Q. Why did Aquila Power enter into the tolling agreement with LS Power?

A. Aquila Power had previously decided that it needed to control a certain amount of generation to support its energy trading and marketing business. A "toll" from Batesville Unit 3 was an opportunity to control gas-fired supply with a competitive heat rate compared to the existing gas steam boiler fleet in the region.

Q. Who was responsible for the initial proposal to MPS in response to its May 1998 RFP?

A. I was the responsible individual.

Q. Why were you responsible for the initial proposal?

A. Aquila Merchant believed that Batesville Unit 3 was a logical generating source that would be responsive to the RFP. At the time, I was the power marketer most familiar with what Aquila Power could offer from that unit.

Q. What were the essential elements of the initial proposal from Aquila Power to MPS?

A. The essential elements of the proposal, which is attached as Schedule MS-2, were as follows:

1.	Term:	One to four years
2.	Type of service:	Unit power with 97% minimum guaranteed equivalent availability.
3.	Designated Unit:	Batesville Unit 3
4.	Quantity:	Various options of 75 and 100 MW; shown in the proposal.
5.	Capacity price:	Priced under various options; shown in the proposal. Pricing for early termination was also included.
6.	Energy price:	\$100/MWh plus actual cost of transmission losses and/or ancillary services for delivery to MPS.
7.	Delivery Points:	MPS' interconnections with the Eastern interconnection.
8.	Transmission:	To be billed to MPS at Aquila's actual cost. Several potential transmission paths from the Batesville project to MPS were identified.

Q. Were you aware that there were other bidders?

A. We did not have any information but were confident there were other bidders. Aquila Power's experience was that there were usually a number of bidders in response to RFPs.

Q. Were you aware of the number or identity of other bidders to MPS?

A. No.

Q. What did MPS do with the proposal?

A. It ultimately resulted in a supply agreement with MPS for June through September 2000.

Q. What was your role in concluding those arrangements?

A. I did not participate in concluding those arrangements. The last participation I had in the RFP process on the Batesville proposal was in early November 1998. At that time, I sent a letter to MPS advising that Aquila Power remained interested in providing power supply resources to MPS. That letter is attached as Schedule MS-3.

Q. Why did you not participate in concluding these arrangements?

A. In November 1998, I accepted a position with Aquila's Merchant Energy Partners, a new entity within Aquila Merchant, and transferred to that department effective December 1, 1998. Responsibility for the proposal from Batesville Unit 3 remained with Aquila Power, the Company's power marketing organization.

Q. Did you participate in the Merchant Energy Partners bidding to MPS?

A. Yes, I participated in the process starting mid-December 1998.

Q. What was your responsibility in the bidding process?

A. I was named project manager. My role was to assist in winning an award from MPS and, if successful, to lead the development team to get the project into construction.

Q. Please explain your role in assisting Aquila Merchant's winning the award from MPS.

A. At the time I began participating in the process, MPS had not selected a party with whom to negotiate a power supply agreement for the June 2001 through May 2005 time frame. The bidding process was still under way. MPS was asking Aquila Merchant questions on its previously submitted proposal. I assisted in preparing responses, which are attached as Schedule MS-4. The most important of those responses, in my view, were pricing reductions provided on January 12, 1999. We had been advised by Mr. Frank DeBacker of MPS that Aquila Merchant was not the low bidder. He asked if we could improve our offer. I understand this was standard operating procedure for MPS in dealing with bidders. We responded with the January 12 letter that is a part of Schedule MS-4.

Q. What was the result of the revised pricing letter dated January 12, 1999?

A. MPS notified us by letter dated January 15, 1999 that Aquila Merchant had been selected for negotiations.

Q. Were other bidders offered the opportunity to improve their offers to MPS?

A. I had no knowledge at that time. Table 3 of Mr. DeBacker's Rebuttal Testimony at 26 indicates that he advised the remaining bidder that it was not the low bidder, but that it did not improve its offer.

<u>b. The RFP Process and Subsequent Negotiations Recognized that any Power Supply Agreement would be the subject of close Regulatory Scrutiny</u>

Q. Are you aware of any facts that cause you to believe that the bidding process favored Aquila Merchant?

A. No. My understanding is that MPS, as regulated utility serving native load customers, was obligated to obtain the least cost supply regardless of the source.

Q. Did you see, hear, or experience anything that suggested the process favored an award to MEP over another bidder?

A. Absolutely not. In fact, I would suggest the contrary.

Q. Please explain.

A. Based on my participation during the bidding process, MPS would gladly have awarded the power supply contract to a non-affiliate. I also believe that a "tie" in the bidding would probably have resulted in that outcome.

Q. Why would MPS favor a non-affiliate's proposal over an affiliate's bid?

A. To avoid the extreme level of regulatory scrutiny that automatically comes with an affiliate transaction. In such transactions Staff regulators and others usually presume that the regulated entity is "guilty" of favoritism until proven otherwise.

Q. Why do you believe MPS awarded the power supply contract for 2001 to 2004 to MEP?

A. The only possible reason is that it offered the least cost to the native load ratepayer when compared to the other alternatives considered. Otherwise, there was no reason to do so.

Q. Why wouldn't Company senior management require the power supply contract to be awarded by MPS to MEP, as Mr. Oligschlaeger suggests in his Direct Testimony at pages 10-16, even if it were not the low bid?

A. From my perspective as the Aquila Merchant project manager for what became the Aries Power Plant, the reasons are obvious:

1. The PSA would have to be submitted to the Missouri Public Service Commission and the Federal Energy Regulatory Commission. The pricing and terms of the contract would become public information. Had the MEPPH price exceeded the price of the other bidder, or if the terms were unfavorable to MPS, that party would have the opportunity to intervene and attempt to show that it should have been awarded the PSA.
2. Had favoritism been shown to MEPPH, it would have been a violation of the FERC code of conduct under which all the Companies' entities operated. Violation of the FERC code of conduct could be grounds for FERC revoking the authority of the Company's regulated and non-regulated businesses to sell power at market prices, or imposing a fine. Aquila Merchant's business model was focused on wholesale sales

across the country, not to its affiliates. There was simply no reason to put the merchant business at risk due a code of conduct violation involving an affiliate.

3. At the time, Aquila Merchant had filed a complaint against another utility, alleging a violation of its Open Access Transmission Tariff ("OATT") in FERC Docket No. EL98-36-000. As a member of Aquila Merchant, I was involved in the prosecution of that complaint. This proceeding was important to Aquila Merchant's business as it sought open access to the transmission system of a large electric utility. Because that case involved policy issues that might affect every OATT under FERC jurisdiction, the last thing Aquila Merchant needed in that case was the respondent regulated utility defending its conduct by citing affiliate abuse by Aquila's own regulated affiliate.
4. Finally, evidence of favoritism could delay development and construction of *any* winning project that would have to be constructed, be it that of MEPPH or of another party. Aquila Merchant understood that it was absolutely necessary for the winning bidder to meet the in-service date of June 1, 2001 specified by MPS because of the need to replace expiring purchase power contracts. If approval of any project had been delayed due to allegations of or a showing of favoritism, the in-service date could not have been met by MEPPH due to the lead times required to permit, contract for and construct the project.

Q. Why do you believe that another project could not have been built in time?

A. My role was to assist in winning an award from MPS, and, if successful, to get the project into construction. Based on the lead time requirements for contracting, permitting, site acquisition and all the other elements of successful power plant project development, there was not time available for an extended period of regulatory scrutiny that would result from a showing of favoritism in an award to MEPPH, regardless of what party ultimately was awarded a contract.

Q. Are you aware of any evidence suggesting it was less expensive for MPS to purchase power rather than construct its own generation?

A. Based on my experience as a power marketer at Entergy, since the mid-1980's it had been less expensive for a utility to enter into power purchase arrangements than to build and own a new generating unit.

Q. Did you find that the MPS bidding process demonstrated favoritism to Aquila Merchant?

A. No.

Q. What were the internal criteria Aquila Merchant had to meet in submitting a bid to MPS?

A. The same as for any other developer. The project had to meet a target "hurdle rate," i.e., an internal rate of return ("IRR") if it won the award. This would be determined in an economic model referred to as a "project pro forma" used to project the costs, revenues and expenses associated with the project.

Q. Has that model been provided to the Commission Staff?

A. Yes. The pro forma used for the initial pricing (before the pricing reduction letter contained in Schedule MS-4) was provided to Staff in response to Data Request No. MPSC-301.

Q. Did the pro forma include revenues from sources other than MPS?

A. Yes. Estimated revenues from sales into the wholesale market were included. The methodology for determining those estimates is discussed in the response to Staff Data Request No. MPSC-371.

Q. What costs were included in the pro forma provided in response to Staff Data Request No. MPSC-301?

A. The pro forma included estimates of direct capital costs to construct the plant, construction and permanent financing costs, non-fuel operating and maintenance expense, and fuel costs for sales to non-affiliates. It also showed an internal rate of return on equity that would be required to be invested in the project to obtain the debt needed to construct, own and operate the project.

Q. Did Aquila Merchant intend (as alleged in Mr. Oligschlaeger's Direct Testimony at pages 12-13 and page 15) for MPS to cover all the fixed costs of the plant?

A. No. As found in the pro forma provided to Staff in response to Data Request No. MPSC-301, revenues from MPS were expected to cover the majority of the fixed costs through May 2005, and then zero thereafter. As will be shown later, the actual share of costs covered by MPS is much lower.

Q. Was this information made available to Aquila senior management?

A. Yes. The presentation to senior management on this project on January 5, 1999 was based on the pro forma referred to above. It included revenues from MPS and expected revenues from future sales into the wholesale market that were expected to cover the cost of the project. In particular, the Aquila Merchant presented projected internal rates of return to senior management that included those revenues. Documents reflecting this information were provided in response to Data Request No. MPSC-301.

Q. Did you attend the presentation to senior management on January 5, 1999?

A. Yes.

Q. Was there any discussion of MPS covering all the fixed costs of the proposed plant?

A. No such statement on MPS covering all the fixed costs of the proposed project was made or suggested by anyone at that meeting.

Q. What prospects did Aquila Merchant face if it had not won the award?

A. At the time, Aquila Merchant's MEP unit was investigating tolling transactions involving other power plants, fuel supply agreements for other projects, and other transactions. The types of transactions MEP was focusing on are listed in a management presentation provided to the Staff in response to Data Request No. MPSC-301. MEP would have gone about its business and explored other opportunities, such as exploring power purchase arrangements with other project developers. There were numerous generating projects proposed at the time by a number of development firms. There was also a project development opportunity in another part of the country that MEP was asked to explore.

Q. What is the conclusion of this part of your testimony?

A. Based upon my direct involvement in the bidding process, the process was fair and complied with the FERC code of conduct on affiliate transactions. No favoritism was shown to the merchant power side of the business from Aquila's regulated affiliate.

c. The MPS/MEPPH Power Sales Agreement: Its Background and Logic

Q. What is the purpose of this part of your testimony?

A. My purpose is to review the PSA's terms and conditions, and explain why it is a fair and balanced contract from MEP's perspective. This is intended to rebut Mr. Oligschlaeger's statements in his Direct Testimony, noted above, that favoritism was shown by the Company in the MPS award of the contract to Aquila Merchant, and that there was affiliate abuse.

Q. Please describe the Power Sales Agreement.

A. The PSA is a tolling agreement, with performance guarantees and penalties, which makes it advantageous for the buyer compared to a unit power sales agreement.

Q. Why?

A. A tolling agreement enables the purchaser of the power to manage the largest component of its variable cost – the cost of fuel. A purchasing utility knows its load shape, net area energy requirements, its dispatch stack and the peak demands that determine both the short-term and long-term fuel requirements for a power plant to supply energy to serve native load. Far more than a developer or owner of merchant generation, a regulated utility with the obligation to serve has extensive experience in purchasing fuel to meet native load requirements, and is equipped to manage the purchases of commodity and transport to serve that load. A developer will not have the detailed knowledge of a specific utility's energy requirements that determine optimal fuel purchase decisions.

Q. Why is the cost of fuel so important?

A. Fuel cost is usually the largest component of total production costs for a combined cycle power plant, and can be the largest cost component. Taking the PSA as an example, the capacity charge from 2002 to May 2005 is approximately ***_______________*** for 200 MW of capacity from October through March and 500 MW of capacity from April through September. If the Aries plant were dispatched at an intermediate load factor of approximately 40%, at today's gas cost (using the calendar 2004 Henry Hub index "strip" of $5.42 on 12/29/2003 and assuming the Williams index basis differential roughly offsets gas transport costs), fuel cost would be approximately $5.42/MMBtu x 7.2 MMBtu/MWh x 350 MW x 8760 hours/year x 0.4 = roughly $48 million/year. If the dispatch is at a 25% annual load factor rather than 40%, estimated annual fuel cost for

2004 would be roughly $48 million x 25%/40% or approximately $30 million. This sample calculation illustrates that "the money is in fuel cost" for intermediate and base-load plants.

Q. Is a tolling agreement advantageous for the seller?

A. Yes. It transfers risk of fuel management to the utility purchaser, relieving the merchant developer or owner of the plant from those responsibilities. The developer/owner of a plant is less qualified to manage fuel costs than the buyer, as explained above. The merchant operator/owner is left with managing risks and performance of the plant, which are more suited to their responsibilities as asset owners and managers. Those risks and obligations include meeting in-service dates and operating performance guarantees.

Q. Are there circumstances where a tolling agreement may not be as attractive to a purchaser as a unit power sales agreement?

A. Yes.

Q. Please explain.

A. Unit power sales agreements provide for the seller, not the buyer, to provide the fuel. For solid fuel projects with long-term supply arrangements and stable pricing, fuel costs are known with more certainty at the time the purchaser enters into the power purchase arrangement. In addition, solid fuel technical and quality specifications can limit the ability of a purchaser to readily substitute or provide a separate fuel supply. An example would be a power supply purchase from a coal-fired power plant with long-term coal supply and rail transportation arrangements from specific mines. Another would be a power purchase from a nuclear plant, where the cost/MMBtu of fuel in the core is well known in advance. In both examples (particularly the nuclear plant), it isn't practical for the purchaser to provide its own fuel supply. However, for a gas-fired power plant with a homogeneous fuel like pipeline-quality natural gas that can be purchased on the spot market or through short-term or long-term contracts, a tolling agreement makes more sense.

Q. Please describe the principles of risk allocation and mitigation under the PSA for both parties.

A. The basic principles are simple and straightforward. MPS contracted for capacity at a fixed price, selecting quantities of capacity that were higher during the summer period than the winter. MPS largely avoided the risk of escalating costs associated with power project development, design and construction. The small MPS cost changes that occurred are documented in Schedule MS-5. If the availability of the capacity didn't meet defined levels, there would be a pro rata reduction in the capacity payments for the applicable period. MPS also contracted for energy at heat rates that were the lower of actual or guaranteed values. This meant that any heat rate improvements that were added to the final design of the plant would benefit MPS, as well as MEPPH. MPS controlled and provided the fuel supply, paid a variable O&M (operating and maintenance) charge and received a large number of starts per combustion turbine per year without paying a major maintenance "start charge." These provisions allowed MPS to transfer most of the construction, capital cost and operating risks to another party.

Q. What else did MPS receive under the PSA?

A. MPS would receive the power at the interconnection point with its transmission system, avoiding power transmission risk and costs associated with imports across other systems, such as curtailment. MPS also had the right to determine which natural gas pipeline would interconnect with the project. MPS would be committed for a limited term of four years, enabling it to revisit the wholesale power market and avoid a long-term ownership commitment for the life of the asset, which might not be the best economic choice compared to other alternatives. MPS also avoided the risk of owning a "stranded asset." During the procurement process Congress was considering national legislation that would offer retail choice to customers, and many states (including neighboring Arkansas, Illinois and Oklahoma) were seriously considering or had passed retail choice legislation. Therefore, at that time it was uncertain how long Missouri native load customers would remain obligated to purchase power supply from their local utility.

Q. What were the risks and opportunities for MEPPH?

A. MEPPH won a competitive bid which would provide a revenue stream to cover for a limited period of time a portion of the fixed costs of the plant it would construct and own. It had the incentive to minimize plant availability risks (and preserve its revenue stream) from MPS with a limited right to provide substitute power to MPS. Aquila Merchant gained the opportunity to sell a portion of the equity in the project to another party for a premium. Aquila Merchant expected that the remaining project costs, and a suitable return, would be earned from sales to other parties from unsold capacity during the term of the sale to MPS, but primarily through sales to third parties after the MPS sale expired. <u>See</u> Response to Staff Data Request MPSC-301. MEPPH took the risks of being able to build the plant within budget, operate it within pro forma cost estimates, and obtain the benefits if it were able to lower costs or increase revenues beyond estimates at the time. It also took the risk that costs could be higher and that revenues could be lower than projected. The proximity of interstate natural gas pipelines in the area gave MEPPH the opportunity to interconnect with more than one pipeline to ensure competition by the pipelines for the project's business, and to minimize transportation and delivered fuel costs.

Q. What was the model for the PSA?

A. The Batesville Unit 3 tolling agreement between LSP Energy, LP and Aquila Power.

Q. Why was this agreement used as a starting point?

A. First, it was a contract that Aquila Power was familiar with, having negotiated it in the spring of 1998 with a non-affiliate, LSP Energy. Second, it was considered a "state of the art" contract because of its recent vintage. Third, it involved a combined cycle power plant, and many of the concepts were relevant to a MEPPH/MPS arrangement. Fourth, it gave Aquila Merchant confidence in a transactional structure where it could accept a role reversal. In the Batesville Unit 3 tolling agreement, Aquila Merchant (through Aquila Power) was the buyer and in this case Aquila Merchant (through MEPPH) would be the seller.

Q. Was the Batesville tolling agreement used as a starting point in other transactions?

A. Yes. Those transactions included two other Aquila Merchant transactions, and three others that I am aware of involving third parties.

Q. What is your conclusion on the merits of the MEPPH contract with MPS?

A. The MEPPH contract with MPS is fair and balanced.

<u>d. Review of the decision from Aquila Merchant's perspective to enter into the PSA with MPS</u>

Q. What is the purpose of this part of your testimony?

A. My purpose is to review the basis for the decision from Aquila Merchant's perspective to enter into the transaction with MPS. My purpose is also to rebut the incorrect assumptions that Mr. Oligschlaeger made in his Direct Testimony at 12-13 that the PSA permitted MEPPH to recover all of its costs.

Q. How is this part of your testimony organized?

A. I will discuss why it made sense for MEPPH to enter into the PSA. I will also discuss the cost of the plant, and why it is larger than what it would have been as a utility plant.

Q. What was the basis for the MEPPH's decision to enter into the PSA with MPS?

A. Before I joined the project, Aquila Merchant had decided to bid power supply to MPS from an EWG that would be constructed to supply the power.

Q. How was the bid price established?

A. Aquila Merchant prepared a pro forma with estimated project costs and estimated revenues over the life of the project. The revenues included those from MPS should Aquila Merchant win the bid, and projections of revenues from the wholesale market for capacity not sold to MPS. This pro forma was the financial model used as the basis for pricing. The model determined the internal rate of return ("IRR") and net present value of the returns to see if the project would meet Aquila Merchant's financial criteria for doing the project.

Q. Has this information been provided to Staff?

A. Yes, it is contained in a pro forma provided in the response to Data Request No. MPSC-301.

Q. How was the final bid price, contained in MEP's January 12, 1999 letter in Schedule MS-4, established?

A. MEP evaluated potential price reductions in response to word from Mr. DeBacker, after January 5, 1999, to the effect that "MEP was not the low bidder, can MEP improve its offer?" Once MEP decided on final pricing, the January 12 letter was completed and delivered to MPS.

Q. Did Aquila Merchant evaluate other markets for the plant capacity and energy besides MPS?

A. Yes.

Q. Why did Aquila Merchant look at other markets?

A. Wholesale power markets were being deregulated as a result of FERC initiatives. FERC Order 888, issued in 1996, required utility transmission owners that were subject to FERC jurisdiction to file Open Access Transmission Tariffs to provide transmission access on a non-discriminatory basis to wholesale market participants. Aquila Merchant was one such participant. Open access transmission service provided opportunities to sell capacity and energy to purchasers located outside MPS. New buyers and sellers, as well as existing utilities, were entering the wholesale market as FERC granted the authority to sell power at market rates to these entities. Lastly, much of the country was considering "deregulation" of retail electric markets. That meant that buyers of capacity and energy might change over time. Local regulated utilities, which had been the major purchasers of those resources, might be replaced by power marketers, aggregators or another entity. In Missouri, retail deregulation was being discussed in the General Assembly. I myself testified on the property tax implications to a joint legislative committee in late 1999. These actual and anticipated changes meant that local markets could change, and that a plant owner should have access to markets elsewhere to be able to sell capacity and energy from a new power plant.

Q. What other markets did Aquila Merchant consider?

A. At the time Aquila Merchant was bidding to MPS, it had considered the need for capacity in a number of reliability regions, including SPP, SERC, MAPP (Mid-Continent Area Power Pool), MAIN (Mid-America Interconnected Network), and ECAR (East Central Area Reliability Coordinating Council). These reliability regions cover most of the central United States and much of the Eastern Interconnection.

Q. How was this market assessment incorporated into the economics of the Pleasant Hill project?

A. During the bidding process, Aquila Merchant projected the need for capacity in these regions starting in the summer of 2005. It also projected the "spark spread," which is the difference between power price and variable production cost, from 1999 forward. The results of this market assessment were incorporated into the project pro forma as part of the projected revenues that were expected to be earned from sales to third parties in the wholesale market.

Q. Did Aquila Merchant expect to continue capacity and energy sales to MPS when the initial contract expired?

A. No.

Q. What did Aquila Merchant conclude after looking at the market in these areas?

A. The conclusion was that the internal rate of return was only ***____*** for the first ***________***, but that it would be ***____*** over a ***_______*** time horizon. The internal rate of return during the early years was below Aquila Merchant's "hurdle rate" for making the investment. However, over the longer time period, the hurdle rate was met. As a result, it made sense to participate in the bidding to MPS.

Q. Was this information provided to Company senior management?

A. Yes, it is contained in presentations that were provided to Staff in the response to Data Request No. MPSC-301. Those presentations include a January 5, 1999 review with senior management and a February 3, 1999 presentation to the Company's Board of Directors.

Q. What was the final cost of the Aries plant?

A. As shown in Schedule MS-8 and our response to Data Request MPSC-231, ***____________.***

Q. Why is the plant more expensive than the initial estimate?

A. The initial estimate did not include increases in the cost of the fixed price engineering, procurement and construction ("EPC") contract, or the combustion turbines, incorporation of the gas pipeline lateral into the project scope, permitting, easement acquisition associated with the gas pipeline lateral, community benefit expenses, increased financial costs, and project contingency. Some of these increases occurred as the project scope became better defined, as is typical on a large construction project. Other cost increases resulted from increasing the plant generating capability to provide future revenues to offset cost increases that were expected or deliberately incorporated, such as the gas pipeline lateral.

Q. What types of cost increases were incurred as the project went through development and construction?

A. The increases consisted of equipment and scope upgrades, changes to the financial structure, and other associated costs and project contingencies.

Q. Please explain.

A. EPC contract cost increases included: (1) equipment and scope upgrades for the larger steam turbine and increased duct firing to upsize project generating capability; (2) adding the capability for the plant to supply its own auxiliary power when operating; (3) adding steam injection for power augmentation and a kettle boiler to upsize project generating capability; (4) technical field assistance from Siemens Westinghouse to assist in commissioning of the combustion turbines; (5) increased site development (i.e., rock excavation) costs; (6) higher insurance costs ***____***. Other changes outside the EPC contract included adding the natural gas pipeline lateral to the project scope, and a larger spare parts inventory. Financing cost changes included interest expense and fees associated with the construction loan and increase in the amount of funds borrowed. Other costs included higher costs of land and easement acquisition than originally projected, and of project management during development and construction. Costs were assigned to "project contingency" in order to plan for unexpected cost changes that were not known but could reasonably be expected to occur, such as the higher cost of fuel used during project testing and commissioning.

Q. If it were built today, would this same plant cost more or less than ***________________***?

A. It is my belief that it would cost at least that much.

Q. Why?

A. The largest cost of the project, by far, was the EPC contract. Black and Veatch ("B&V"), an international engineering/architecture firm with expertise in power plant construction, was the EPC contractor on this project. B&V has advised me that their price to replicate this plant would be higher than the contract price to build the Aries plant, which included the cost of the combustion turbines. I am aware that shortly after the B&V bid pricing was submitted on Aries, B&V bid a comparable job at a price $30 million higher and won the job. In addition, B&V lost a substantial sum on this project.

Q. Would current combustion turbine resale prices lower the cost of building a plant identical to Aries today?

A. This is highly unlikely. Siemens Westinghouse 501 "F" combustion turbines may be available, unused and in storage with owners that did not install such equipment in a generating plant. Some of this equipment may be discounted but it would be re-sold without the manufacturer's warranty, which is a major drawback for the purchaser. Nevertheless, I have been advised that the replication cost by Black and Veatch under an Aries-type EPC contract would be higher than before, even if combustion turbines were purchased at prices below what MEPPH paid.

Q. From the Aquila Merchant perspective, what is your conclusion on the merits of the decision to enter into the transaction with MPS?

A. Based on what Aquila Merchant knew at the time, the decision made sense. The bid price to MPS was low but judged adequate to initiate the project, and it was expected that sales to others would provide the remaining revenues needed to support the plant economics. The plant cost was reasonable then and now, and replication costs would in all likelihood be higher today.

3. Staff Overlooked or Ignored Major Cost Elements in its Analysis of the PSA which Invalidate its Proposed Capacity Charge Disallowance

Q. What is the purpose of this part of your testimony?

A. I identify and explain the major cost elements that Staff overlooked or ignored in its proposed disallowance of capacity costs under the PSA.

Q. What was one of the purposes of Staff witness Mark Oligschlaeger's Direct Testimony?

A. He stated on page 2 of his Direct Testimony that he "... sponsor[ed] the rationale for the Staff's adjustment to MPS's test year purchased power expenses to remove the portion of the Aries unit expenses above the actual cost of capacity supplied to the MPS customers."

Q. What was Mr. Oligschlaeger's conclusion?

A. He concluded that MPS was paying 100% of the costs of the capacity but only contracted for 60% of the capacity. See Oligschlaeger Direct Testimony at 12-13, 15-16. For example, he stated on page 12, lines 13-15 that "...it appears that a regulated utility, MPS, is being required to pay for almost all of the costs of the Aries unit, even though it is not entitled to a proportional amount of the unit's capacity." As I explain below, Staff's assumptions are based upon a fundamental misunderstanding of the PSA and a failure to analyze the data provided to Staff by the Company.

Q. How will you rebut the Staff witness' conclusions?

A. I will explain the cost components associated with owning and operating the Aries plant, which are summarized in Schedule MS-8. The total costs are much larger than the figures Staff has used. The true size of those costs invalidates Staff's conclusions.

Q. Did Mr. Oligschlaeger's testimony discuss how evidence was collected to support its position on the issues?

A. Generally, yes. The testimony referred to interviews of several individuals, including me.

Q. Did Mr. Oligschlaeger's Direct Testimony refer to responses to data requests?

A. The testimony explicitly referred to several data requests from a 2001 rate case (Case No. ER-2001-672). However, there were no references that I saw to responses to data requests in this rate case.

Q. Were data requests submitted by Staff in connection with the Aries plant in this rate case?

A. Yes.

Q. Were responses to those data requests provided by the Company?

A. Yes.

Q. Are those responses treated as highly confidential?

A. Yes.

Q. Where are those responses?

A. All highly confidential responses have been placed in a data room at the Company's offices in Kansas City, Missouri. A list of data request responses placed in the data room is provided as Schedule MS-6. There are over 70 such responses.

Q. Have those highly confidential responses been reviewed by Staff?

A. Yes.

Q. What evidence do you have that those highly confidential responses concerning Aries were reviewed by Staff?

A. The Company has maintained logs of the date and time each member of the Staff spent reviewing the highly confidential responses made available in the data room. The logs, and a table prepared from them, are attached as Schedule MS-7.

Q. Do the logs include review periods before Staff's direct testimony was submitted on December 8, 2003?

A. Yes. The logs include over 76 hours of time spent by Mr. Oligschlaeger and Mr. Featherstone during the period October 28 through December 31, 2003. Over 47 of those hours were spent reviewing responses through November 25, 2003.

Q. Have additional responses been placed in the data room since Staff's direct testimony was submitted?

A. Yes. The responses and dates they were placed in the data room are shown in Schedule MS-6.

Q. What costs did Mr. Oligschlaeger believe were the fixed costs of the Aries plant?

A. He testified that certain lease payments were the fixed costs of the plant. <u>See</u> Oligschlaeger Direct Testimony at 12-13.

Q. Do these payments represent the fixed costs of the Aries plant?

A. No.

Q. Why not?

A. The lease payments cited by Mr. Oligschlaeger are based on financing that was never consummated and does not exist. Even had such lease payments existed, they were intended to provide financing for the debt of the plant, but not the equity investment that was used to build the plant. The lease payments were never intended to cover plant O&M (operating and maintenance) costs, payments to Cass County (the actual owner of the plant) in lieu of property taxes, depreciation and amortization expenses, or return on the equity investment in the plant. These costs are separate and distinct from the lease payments that were to be made to a lender that would provide a portion of the total financing for the project.

Q. Has this information been provided to the Staff?

A. Yes. It was provided in and can easily be developed from several data request responses. It was also explained to Staff on January 13, 2004.

a. Explanation of Debt and Equity Costs

Q. What was the final cost of building the plant?

A. The plant cost, shown in Schedule MS-8, is ***______________.***

Q. What is the debt on the plant?

A. As of September 30, 2003, the debt was ***______________.***

Q. What is the equity invested in the plant?

A. The equity is the difference between plant cost and debt, and is ***_________.***

Q. What is the interest expense for the twelve months ending September 30, 2003?

A. The twelve month interest expense ending September 30, 2003, shown in Schedule MS-12, is ***_________.*** This is the interest expense for the construction loan, which remains in effect.

Q. Should an after-tax return on equity be used in determining the fixed costs of Aries?

A. Yes. The testimony in this rate case has two sets of values proposed for it: (1) 12.25% - by Company witness Don Murry's Direct Testimony at 26; and (2) 9.14% - the midpoint of Staff witness David Murray's Direct Testimony at Schedule 23. Both values are net after income taxes.

Q. What pre-tax cost of equity should be used?

A. The pre-tax cost is determined by dividing the after-tax cost by (1 minus a combined federal and state tax rate). I have used the combined federal and state income tax rate of 38.3886% per page 14 of the Direct Testimony of Company witness Ron Klote. Using the actual equity invested in the project, the cost of equity is ***_________*** using Staff's ROE mid-point and ***__________*** using the Company's ROE proposal. These costs are shown in Schedule MS-8.

Q. Should a return on equity be allowed?

A. Yes. Cost of service clearly includes a return on equity. Equity investors will not invest capital if they know the return on their investment will be zero. I have used the ROE values already introduced by the parties in determining fixed costs of the plant.

Q. Given that the debt and equity levels have changed from what was anticipated, what financing costs should Staff have used estimating the fixed costs of the plant?

A. Staff should have used the costs and amounts of debt and equity that do exist, not lease payments under a financing that never occurred.

Q. What is the cost of debt and equity as of September 30, 2003?

A. Interest expense and cost of equity is ***______________________*** depending on the ROE value used.

b. Explanation of Fixed O&M Expenses

Q. What fixed O&M (operating and maintenance) costs were not included in Staff's analysis?

A. Labor, major maintenance, routine maintenance, materials and supplies, contract services, administrative overhead, O&M agreement fees, and other expenses.

Q. Why are O&M costs considered fixed costs?

A. An owner of a power plant must have the ability to generate and deliver electricity from that plant to a customer when the plant is called upon to do so. To have that capability, the plant must be staffed with an operating and maintenance crew, and the plant must be maintained. The costs incurred to do so are largely fixed. The variable costs are discussed separately, below.

Q. What do labor costs consist of?

A. It includes the cost of labor by the plant operator (now a subsidiary of Calpine Corp.) to operate the plant, including straight time, overtime, payroll taxes, benefits, bonus programs, and employee functions.

Q. What does major maintenance expense consist of?

A. These are the costs of combustion turbine inspections (such as hot gas path and major inspections) and maintenance including associated parts and services under a long term service agreement, maintenance and repair of the Heat Recovery Steam Generators ("HRSGs"), maintenance and repair of balance of plant equipment, replacement catalyst for the Selective Catalytic Reduction ("SCR") emissions control portion of the HRSGs, steam turbine inspections, and major work on the zero discharge water treatment system at the plant.

Q. Do these costs vary from year to year?

A. Yes. In particular, combustion turbine maintenance inspections are typically scheduled based upon the combustion turbine manufacturer's maintenance recommendations.

Q. What does routine maintenance consist of?

A. Work on the boilers, turbines, and balance of plant, including water treatment and zero discharge systems.

Q. What do materials and supplies consist of?

A. Service equipment, plant vehicles, water treatment, shop equipment, warehouse equipment, safety equipment, waste disposal, and consumables.

Q. What do contract services consist of?

A. This category includes lateral gas line management, insulation repairs, landscaping, janitorial services, consultants, audit and assessment, outage technical support, distributed control system (DCS) technical support, fire protection, and environmental services.

Q. What does administrative overhead consist of?

A. Training, travel and partnership meetings, office supplies, shipping and freight, license and permitting fees, telephone and utilities, computer network and software fees, office furnishings and miscellaneous equipment, community relations, property taxes (if applicable), and insurance.

Q. What do other expenses consist of?

A. Contingency expenses, if applicable.

Q. What do the O&M agreement fees consist of?

A. This is the fee, above costs, that the operator receives for operating the plant.

Q. Has this fixed cost information been provided to the Staff?

A. Yes. The fixed O&M cost for the twelve months ending September 30, 2003 was provided in the response to Data Request No. MPSC-231. This response is in the data room discussed above.

Q. Was this information reviewed by Staff?

A. The logs provided in Schedule MS-7 show that the response to Data Request No. MPSC-231 containing this information was reviewed on October 28, 30, and November 12, 2003 by Mr. Featherstone. The logs indicate that Mr. Featherstone checked out this response for just under five hours.

Q. Are these costs included in the lease payments that Staff used?

A. No.

Q. What was the actual fixed O&M expense for the twelve months ending September 30, 2003?

A. The expense was ***_______________*** and is shown in Schedule MS-8.

Q. In Mr. Oligschlaeger's deposition on January 8, 2004, was he asked what specific cost information contained in the data requests for the current rate case was used in preparing his testimony?

A. Yes. He stated that he did not directly use the cost information in the data room. <u>See</u> Oligschlaeger Dep. at page 55, line 12.

<u>c. Discussion of Variable O&M Expenses</u>

Q. Is variable O&M expense included in the costs described above?

A. No. It is budgeted and identified separately.

Q. What do variable costs consist of?

A. Water supply expense, water treatment chemicals, zero discharge waste disposal costs, electricity (for station service when the plant is not on line and providing its own power for that purpose), and ammonia (for emissions control). In this case, fuel for dispatch is not included because MPS provides the fuel for its electricity requirements from Aries.

Q. What was the actual variable O&M expense for the twelve months ending September 30, 2003?

A. Variable O&M expense for this period was ***__________*** and is shown on Schedule MS-8.

Q. Was this information reviewed by Staff?

A. The response to Data Request No. MPSC-289 containing this information was reviewed on October 28, 29, and 30, 2003 by both Mr. Oligschlaeger and Mr. Featherstone. The logs indicate that Mr. Oligschlaeger reviewed this response for three hours and twelve minutes during that period, and that Mr. Featherstone reviewed this response for four hours and six minutes during that period.

Q. Are these costs included in the lease that does not exist?

A. No.

d. Explanation of Payments in Lieu of Taxes ("PILOT") to Cass County

Q. Is a Payment in Lieu of Taxes ("PILOT") included in the fixed O&M costs discussed above?

A. Yes.

Q. What are the PILOT amounts due to Cass County?

A. For calendar year 2002, the amount is ***________***. For calendar years 2003 through 2006, the amount is ***______*** annually.

Q. Has this information been provided to Staff?

A. Yes. This information was provided in response to Data Request No. MPSC-561.

Q. Why would Cass County enter into an agreement that resulted in PILOT payments that were lower than property taxes?

A. First, it was a way to keep dollars in Cass County that might otherwise be re-distributed by the State to other areas. Proposed Senate Bill 300 would have distributed property taxes on merchant power plants to local government entities based on pole-miles of the local utility, which if enacted would have reduced Cass County's revenues from the plant by over ***_____.*** By agreeing to a Chapter 100 bond issue and the associated PILOT, that scenario was avoided. Cass County received the PILOT payments from MEPPH for itself and other government entities in the county. Second, the agreement was an economic development incentive to attract a large project that would provide several hundred construction jobs, and permanent jobs for the operating crew. Third, the project would help expand Cass County's water supply, which was considered deficient. The Aries plant consumes large volumes of water when it is operating, so MEPPH contracted with the City of Kansas City's Water Services Department to supply water to the plant through a new water pipeline to be extended to the plant. That pipeline was sized to exceed Aries requirements, leaving water capacity available for sale by Kansas City to other purchasers (such as public water supply districts) in Cass County.

Q. Has the Staff reviewed the PILOT concept and the amounts in question?

A. Yes. The response noted above was reviewed on December 18, 2003 after Staff's direct testimony was submitted. The PILOT concept was explained during my interview, notes of which are contained in response to Data Request No. MPSC-549. It is my understanding that the PILOT payments were also listed and described in response to Data Request No. MPSC-598 in the last rate case.

e. Depreciation and Amortization Expense

Q. What is the actual depreciation and amortization expense for the twelve months ended September 30, 2003?

A. That expense is ***____________*** and is shown in Schedule MS-8.

Q. Why does this expense exist if Cass County owns the plant?

A. The plant is leased by Cass County to MEPPH under a capital lease agreement. I am advised that under Generally Accepted Accounting Principles, MEPPH incurs depreciation and amortization expense for such a capital lease.

f. Role of Cass County

Q. What is the role of Cass County, Missouri in the ownership and financing of the Aries power plant?

A. Cass County owns the plant through a bond that it issued according to Chapter 100 of the Revised Statues of Missouri. It is, therefore, a participant in the transactions that led to the financing of the Aires plant. However, as contemplated by state law, Cass County is largely a passive entity that does not control the financing of the plant or its operations.

Q. Why is Cass County the owner of the plant?

A. As explained to Staff in my interview (contained in the response to Data Request No. MPSC-549), this technique was used to enable the project to obtain property tax relief in exchange for negotiated "payments in lieu of taxes" ("PILOT" payments) that MEPPH would make to Cass County. This is a standard economic development tool that is used by Missouri local governments to attract investment. Local communities benefit from the associated economic growth associated with a project, including construction and operating jobs and payroll, associated infrastructure improvements, the PILOT payments, and future tax payments when the Chapter 100 bonds are redeemed or retired. A property tax abatement using Chapter 100 bonds was one of the incentives used by the City of Kansas City in 1996 to persuade Harley-Davidson, Inc. to build a motorcycle manufacturing plant in Kansas City.

Q. How does Cass County "ownership" of the plant affect the structure of the project?

A. Schedule MS-9 shows the Aries project structure in 1999, before Calpine participation and Cass County ownership were consummated, and at present.

g. Summary of total annual costs

Q. Based on the actual data noted above, what are the total costs for Aries?

A. The answer is shown in Schedule MS-8. The sum of fixed O&M expense, variable O&M expense, interest expense, depreciation and amortization, and a ROE (for which two values are shown) results in a total cost of ownership of ***______________________________*** the costs paid by MPS for the power purchased under the Power Sales Agreement.

Q. What are the MPS power purchase payments to MEPPH for the twelve months ended September 30, 2003?

A. As stated in Schedule MS-8, the payments are ***__________***

Q. What proportion of total plant costs do the MPS power payments represent?

A. The power payments represent ***____________*** of the total costs, depending on the ROE used.

Q. Are these proportions materially different from those provided in Staff's direct testimony?

A. Yes. Staff estimated that MPS was paying approximately 100% of the fixed costs, as can be seen by reviewing Mr. Oligschlaeger's Direct Testimony at page 11, lines 4-8; page 12, lines 5-6, 13-15, 18-20 and 21-23; and page 13, lines 2-4, 10-12 and 16-19.

Q. What is your opinion on Staff's belief that MPS is paying almost all of the fixed costs of the Aries plant but receiving less than 60% of the capacity, and that this is an example of affiliate abuse?

A. Staff's analysis is seriously flawed. It considers only the costs associated with a permanent financing that did not occur. Staff did not consider actual interest expense, O&M costs, PILOT payments to Cass County, depreciation and amortization, or a return on the equity that has been invested by the partners in the plant. Such costs are substantial and material. When those costs are properly recognized, MPS's capacity payments are less than what would result from a pro-rata allocation of actual fixed costs.

h. *Review of Staff Estimate of MPS Capacity Share*

Q. What percent of the Aries plant capacity did Staff use as the basis for a cost allocation to MPS?

A. As stated on page 16 of Mr. Oligschlaeger's Direct Testimony, "Staff developed a factor of 59.83% (derived by dividing 350 MWs by 585 MWs)." On page 17, Mr. Oligschlaeger recommended 61.31% based on an alternative methodology.

Q. Are either of these approaches an appropriate way to allocated fixed costs to MPS?

A. No.

Q. Please explain.

A. There are two issues involved with this question. One is whether fixed costs should be considered when a power supply contract is based on competitive bidding. Staff appears to want to have it both ways. On the one hand, Staff agreed that the selection of MEPPH as a result of a competitive bidding process was a reasonable result. On the other hand, Staff insists on using a cost-of-service, non-market approach to determine what it thinks

MPS should have been charged and now be allowed to recover in rates. It places MPS in a no-win situation.

The second issue is the value of summer capacity relative to winter capacity. Staff's analysis on page 16 of Mr. Oligschlaeger's direct testimony assumes no difference in economic value for the purpose of cost allocation. On page 17, an attempt is made to recognize the difference. However, the testimony on page 17 fails to recognize the higher heat rate, and therefore lower value, of the 85 MW of duct-fired capacity. Staff did not consider this significant distinction.

Q. Is capacity with the same heat rate worth more in the summer than the winter?

A. Yes. Because summer power demands significantly exceed winter demands, the need for power generating capacity is typically higher in the summer months, as is its market price. That summer peak demands exceed the winter period is shown in Schedule MS-10, which contains Southwest Power Pool non-coincident peak load data by day for calendar year 2003. The highest peak demand was on August 21, 2003 (a date during the 6-month summer period under the PSA), and is listed by SPP as 38,321 MW. The highest peak demand during the six winter months (January through March and October through December) during 2003 is 26,022 MW, or 68% of the non-coincident summer peak, on February 25, 2003. See Staff Witness David Elliott Dep. at page 13, line 13 (Jan. 8, 2004)(summer capacity is more valuable than winter capacity). This evidence is consistent with my experience as a power marketer. In order for MEPPH to offer more capacity in the summer than in the winter, and still have a reasonable expectation that it will obtain sufficient revenues from all sources to cover its costs, MEPPH needed to charge more for its summer-only capacity. And this is exactly what MEPPH did, as documented in the PSA provided in response to Data Request No. MPSC-384.

Q. What is your conclusion on the merits Staff's testimony that MPS is paying almost all of the fixed costs of the Aries plant but receiving less than 60% of the capacity?

A. As indicated above, Staff's analysis considers only the cost associated with a permanent financing that did not occur. Staff also did not consider fixed operating and maintenance costs, PILOT payments to Cass County, actual interest expense, depreciation and amortization, or a return on the equity that has been invested by the partners in the plant. This information has been provided to Staff. As was demonstrated, those costs are substantial and material. When those costs that were overlooked or not considered by Staff are recognized, MPS capacity payments are far less than what would result from a pro-rata allocation of actual fixed costs. Staff's failure to recognize those costs in its analysis invalidates Staff's conclusions.

4. No disallowance of costs is appropriate when all costs are considered

Q. Is any disallowance of costs appropriate when all costs are considered?

A. No. There is no justification to disallow any portion of the MPS payments to MEPPH under the PSA.

Q. Please explain.

A. First, let me reiterate that I do not believe this fixed-cost approach should be used for the reasons stated above. It is inconsistent with the Commission's Order that permitted a fair and open competitive bidding process, which is what occurred. However, if this approach is adopted, Mr. Oligschlaeger's recommendations are without factual basis. He proposed on page 17 of his Direct Testimony that MPS should be responsible for 61.31%

of the cost of the Aries plant capacity. This was an alternative to his Direct Testimony on page 16 that MPS should be responsible for 59.83% of the costs of the plant's capacity. Applying either of these allocation percentages to the actual costs of the plant results in a cost allocation to MPS that substantially exceeds the ***___________*** in payments that MPS is making to MEPPH under the PSA, as noted above. See Schedule MS-8.

In other words, because Mr. Oligschlaeger's allocations recommend that MPS be responsible for either a low figure of ***___________*** or a high figure of ***____ ______***, Staff is in essence recommending that MPS pay more to MEPPH than what it is actually paying under the PSA.

Q. What is your recommendation based on this analysis?

A. When Staff's methodology is corrected by incorporating substantial and material fixed costs that Staff did not consider, the resulting cost allocation exceeds what MPS is paying in capacity charges under the contract. Therefore, the capacity charge is fully justified, and no disallowance of such costs in MPS rates is reasonable or appropriate.

Q. Does this conclude your testimony at this time?

A. Yes, it does.

LIST OF SCHEDULES

SCHEDULE MS-1

RESUME OF MAX A. SHERMAN

Max Sherman

10418 West 125th Terrace
Overland Park, Kansas 66213
(913) 685-9906 (work) -- (913) 685-9916 (fax) -- (816) 896-9227 (cell)
Email: maxsherman@everestkc.net

Core Skills: Leadership and team motivation, organization, project management, cost and schedule control, development, asset management, power marketing, public communication, and regulatory interface at federal and state levels.

Education: B.S. Engineering (Materials Science), UCLA -- 1971.
M.S. Metallurgy and Metal Processing, UCLA -- 1974.
M.S. Nuclear Engineering, University of Wisconsin -- 1975.
Introductory accounting & finance courses at Tulane University

WORK EXPERIENCE AND ACCOMPLISHMENTS

August 2003 to present — Tyr Energy, Inc.

Senior Consultant performing asset management, regulatory and contract consulting services for a client with utility and "non-regulated" merchant power businesses; and a partnership that owns a merchant power plant.

November 2002 to July 2003 — Centerstone Energy Partners, LLC

Partner in a startup formed to acquire, own, operate, manage, optimize and monetize power generation assets. Strategy is to take advantage of this part of the business cycle. Successes include raising capital to support bids on selected assets, being awarded an exclusive on one asset, and being short-listed on several others.

May 1996 to October 2002 — Aquila Merchant Services, Inc.

Company was a top-five wholesale energy merchant that marketed and traded energy products and services (gas, power, coal, weather hedges) in North American wholesale markets. Power plant development supported the origination and trading businesses. At the peak of the trading boom, annual revenues were ~$40 billion.

1999 to 2002 Vice President, Project Development

- Led Aquila's eastern U.S. power plant development efforts in Aquila's Capacity Services business unit. Strategy was to develop and hold sites for the next business cycle. Supervised a development team to accomplish the objective. Suspended efforts when Aquila decided to exit the business.
- Led development of a $135 million, 310 MW peaking plant in Mississippi completed Summer 2002. Project was on time and on budget. Role included project structuring, cost/schedule management, economic development negotiations

with local officials, site acquisition, interconnection agreements, water and fuel supply, regulatory interface, community relations, tax abatement, contracting, development of a 24 mile transmission line, and a municipal bond financing. Obtained political support at all levels including the governor.

1999 Senior Director, Merchant Energy Partners business unit

- Led development of Aquila's first power project, a $275 million, 585 MW combined cycle plant in Missouri completed in February 2002. Assembled a development team from across and outside the organization. The team acquired the site, easements, permits, water supply, regulatory approvals, tax abatement, interconnection agreements, combustion turbines, EPC and other contracts and got the project into construction in 9½ months (half the usual time).

1996 to 1998 Director, Power Marketing

- Helped start up the power origination business for this power marketer, focusing on SPP and SERC. Role was to establish contractual infrastructure with counter parties, originating transactions, and enhancing corporate skill base as needed. Served as Aquila's lead SPP representative. Met all annual profitability targets.
- Largest transaction was Aquila's first long term toll -- 20 years on a 279 MW combined cycle generating unit with net margin valued at $22 million. This success accelerated formation of Aquila's Capacity Services business unit.

March 1993 to May 1996 Entergy Power Group

This Entergy business unit was formed to invest in domestic and overseas projects, and to own and market 809 MW of U.S. generation after it was spun out of the utility.

Manager, Business Development

- Managed Entergy's first asset-based merchant power business, Entergy Power, Inc. ("EPI"), a $175 million, 809 MW subsidiary. Had de facto P&L, budget, asset management and regulatory responsibility. Successes including achieving profitability for this merchant generating business as planned. Reported to a vice president or business unit executive.
- Led a team of power marketing professionals. Sold 400 MW long-term, plus short-term sales.
- Asset management role included control of a generating unit 100% owned by EPI, and oversight of a minority interest in a second unit. Successes included planning, funding and leading a plant overhaul which restored a unit to acceptable performance levels.

April 1980 to February 1993 -- Entergy Services, Inc. (Entergy's service company)

1991 to 1993 EPI Business Development Manager

- Assigned pricing responsibility for 809 MW of merchant capacity. Sold 140 MW under long-term contracts, plus short-term sales.

1984 to 1991 Power Transactions Administrator

- Selected as Entergy's first power marketer. Assignments included marketing capacity and energy in wholesale markets; obtaining executive approvals for transactions; tracking and reporting profitability to senior management, and managing the regulatory approval process for sales contracts.
- Accomplishments included expanding Entergy's geographic marketing reach into much of the central and southeastern U.S. Successes included 1330 MW of long term capacity sales plus numerous short-term sales.
- Grew wholesale sales to a significant portion of Entergy's business. Performance metrics included growing annual energy sales from 0.1 million MWh in 1984 to 4 - 6 million MWh; and annual pretax profit from ~$0.5 million to ~$20 million in late 1980's and ~$45-50 million in 1990's.
- Helped start up Entergy's first merchant power marketing business (EPI).

1981 to 1984 Senior Staff Technical Assistant

- Oversight role on the Grand Gulf Nuclear Station, reporting to a owner VP. Responsible for monitoring construction progress and review of all contracts with suppliers. Learned how these plants should and should not be built.
- Assigned by Chairman to supply a nuclear energy exhibit to the 1984 World's Fair. The project was on time, over funded, and made refunds to sponsors.

1980 to 1981 Fuel Market Analyst

- Responsible for evaluation and selection of nuclear fuel cycle vendors; planning and executing swaps/loans to lower inventory costs.

January 1976 to April 1980 Commonwealth Edison (now Exelon)

This Chicago utility had a large nuclear power plant fleet. It participated in a fast breeder reactor project in Oak Ridge, TN to learn how to design, build and operate the next generation of nuclear power plants.

Components Engineer

- Managed contractor design, fabrication and delivery of $100 million of Clinch River Breeder Reactor Plant equipment, and related R&D programs. Equipment (tanks, vessels, heat exchangers, pumps) was built on time and under budget. Developing project management skills was essential to success of these projects.

Summers 1971 to 1974 Los Alamos Scientific Laboratory

Summer Staff Scientist

- Performed research into fusion reactor materials design and development

1971 to 1973 University Cooperative Housing Association (UCLA housing coop)

Member, Board of Directors

- Owner's Representative on a dormitory construction job next to UCLA campus.

Professional: Former member, Engineering & Operating Committee, Southwest Power Pool
Past Chairman, Commercial Practices Committee, SPP
Former member, SPP Regional Pricing Working Group
Past Chairman, Louisiana Nuclear Society.

SCHEDULE MS-2

AQUILA POWER CORPORATION PROPOSAL

TO

MISSIOURI PUBLIC SERVICE

DATED JULY 6, 1998

Aquila Power
10750 East 350 Highway
P.O. Box 11739
Kansas City, MO 64138
816-936-8712
Fax: 816-936-8775
msherman@utilicorp.com

AQUILA ENERGY

Max A. Sherman
Director
Power Marketing

July 6, 1998

Mr. Kiah Harris
Manager - Business Analysis and Consulting
Burns & McDonnell
9400 Ward Parkway
Kansas City, Missouri 64114

Subject: Request for Proposals for Resource Specific Capacity and Energy for Missouri Public Service

Dear Mr. Harris:

Aquila Power Corporation, a power marketing subsidiary of Aquila Energy, is pleased to respond to Missouri Public Service Company's RFP for resource specific capacity and energy. We are offering capacity from a generating project to be constructed in Mississippi with a commercial operation date of June 1, 2000. We are offering terms of one to four years, with buyout provisions which maximize the flexibility available to MPS. While the project is a combined cycle project, we have structured our proposal as a peaking capacity proposal to meet what we understand to be MPS' capacity requirements.

We believe our prices are competitive and will be economically attractive to MPS. Estimated transmission costs are included in the pricing, as separate components and alternatives priced separately. Actual transmission costs will be the basis for billing.

Because this proposal contains proprietary information relating to our specific generating unit, Aquila Power requests that Burns and McDonnell treat this proposal as confidential in accordance with the confidentiality agreement between Aquila and Burns and McDonnell.

Our proposal shall remain valid for ninety days, unless otherwise extended by Aquila Power. However, pricing will necessarily be subject to revision due to changing market conditions until consummation of a contract between the parties.

Mr. Kiah Harris
Burns & McDonnell
July 6, 1998

We thank you for the opportunity to submit this proposal. Should you have any questions concerning this submittal, please do not hesitate to contact the undersigned. We look forward to meeting Missouri Public Service Company's requirements.

Very truly yours,

Max Sherman

Max Sherman
Director, Power Marketing

Enclosure

cc: David Stevenson
Jeff James

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AQUILA POWER CORPORATION PROPOSAL

TO

MISSOURI PUBLIC SERVICE

EXECUTIVE SUMMARY

Aquila Power is offering peaking capacity to Missouri Public Service from a generating unit be built in Batesville, Mississippi, under terms and conditions which are summarized as follows

- Term: Various terms are offered from June 1, 2000 through May 31, 2004, with buyout options for the last 2 contract years.

- Type of Service: Unit power with a 93% minimum guaranteed annual equivalent availability.

- Designated Unit: A nominal 267 MW combined cycle generating unit to be constructed by LS Power LLC at an industrial park at the Entergy/TVA border in Batesville, Mississippi. The unit is fully permitted. Initial financing and breaking ground to start construction is expected to start in late July 1998. Aquila Power has executed a contract to purchase the capacity and the right to toll energy from the unit for a term well beyond the period requested by the subject RFP.

- Capacity price: We have priced the capacity at the site, and provided a number of transmission options to move the power and associated energy to MPS' system. The least cost firm transmission path from the project to MPS, across Entergy and Ameren, is presently ~$2.00/kW-month. The capacity prices under various options are shown below:

  Option 1
  $10,000/MW-month from June 1, 2000 through September 30, 2000 (100 MW)
  $750/MW-month from October 1, 2000 through May 31, 2001 (75 MW)

  Option 2 (75 MW)
  $3,833.33/MW-month from June 1, 2000 through May 31, 2001

  Option 3 (Up to 100 MW)
  $4,000/MW-month from June 1, 2001 through May 31, 2002
  $4,500/MW-month from June 1, 2002 through May 31, 2003
  $5,000/MW-month from June 1, 2003 through May 31, 2004

  Buyout option cost for termination during the contract year of June 2002 through May 31, 2003 is $10,000/MW. Buyout option cost for termination during the contract year of June 1, 2003 through May 31, 2004 (except on May 31, 2004) is $20,000/MW.

- Energy Price: $100.00/MWh plus the actual cost of transmission losses and/or ancillary services for delivery of the power to MPS. At present, the estimated cost of transmission losses across Entergy and Ameren (the least cost firm path) is $3.41/MWh.

- Delivery Points: APC will deliver energy to MPS' interconnections with the Eastern interconnection. This includes MPS' direct interconnections with Ameren, Associated Electric Cooperative, Inc., Kansas City Power & Light, and Western Resources.

- Transmission: Transmission charges will be billed to MPS at Aqulia's actual cost. Aquila has identified transmission across Entergy and Ameren as the least cost firm transmission path from the Batesville project which meets the RFP requirements. Present prices for firm transmission on this path range from ~$2000/MW-month ~$2162/MW-month, depending on whether annual or monthly firm service is purchased from Entergy. However, Aquila believes that it may be possible for MPS to relax the requirement for firm service to MPS if the capacity were to be delivered across Entergy to the Southwest Power Pool. Aquila has therefore shown transmission pricing in Tab 7 for a variety of alternative scenarios for consideration by MPS.

- Market Conditions: Pricing is necessarily subject to revision due to changing market conditions, up to execution of a contract between the parties.

DESIGNATED GENERATING UNIT

The designated generating unit is a nominal 267 MW combined cycle generating unit to constructed by LS Power LLC at an industrial park at the Entergy/TVA border in Batesvil Mississippi. The unit is one of three units to be constructed on the site, with a nominal to capacity rating of 800 MW. Aquila Power has executed a contract to purchase the capacity a the right to toll energy from one unit for a term well beyond the period requested by MP Request for Proposals. The project will interconnect with both the Tennessee Valley Authori and the Entergy transmission systems at 161 kV. Aquila has been advised that the EI contractor and generating equipment vendor have been selected. Because these vendor selectio have not been made public, Aquila is not able to disclose who these entities are at this time.

LS Power LLC has advised Aquila Power that the project is fully permitted, and provided a co of the major permits (which are listed below). The project schedule calls for initial financing a breaking ground to start construction in late July 1998, in order to meet a June 1, 2000 in-servi date specified in Aquila's power purchase agreement with LS Power.

Major Permits and Approvals for Batesville Project

- Public Service Commission of Mississippi Certificate of Public Convenience and Necessit Docket No. 97-UA-513, dated December 12, 1997
- State of Mississippi Air Pollution Control Permit No. 2100-00054, dated November 25, 199 (both permission to construct and permission to operate)
- National Pollutant Discharge Elimination System (NPDES) Permit No. MS0052931, date December 12, 1997
- Mississippi Permit to Divert or Withdraw for Beneficial Use the Public Waters, Permit Nc MS-SW-02744, dated November 25, 1997.
- Federal Energy Regulatory Commission Certification of Exempt Wholesale Generato Status, Docket No. EG98-59-000, dated April 28, 1998.
- U.S. Army Corps of Engineers Nationwide/General Permit Nos. NW07, NW12, NW2 NW26 and GP22, issued December 4, 1997.
- City of Batesville, MS Confirmation of Appropriate Zoning, dated April 24, 1997.

Copies of these permits can be provided upon request.

TERM

Various terms are offered to be as flexible as possible in meeting MPS' requirements:

<u>Option 1</u>
June 1, 2000 through September 30, 2000 (100 MW)
October 1, 2000 through May 31, 2001 (75 MW)
(Aquila is willing to discuss each Option 1 period separately)

<u>Option 2 (75 MW)</u>
June 1, 2000 through May 31, 2001

<u>Option 3 (Up to 100 MW)</u>
June 1, 2001 through May 31, 2002
June 1, 2002 through May 31, 2003
June 1, 2003 through May 31, 2004

Buyout options are offered for termination during the last two contract years of Option 3.

Tab 5

QUANTITY

The following quantities of capacity are offered, using the Options described in Tab 4, abc

Option 1: 100 MW for summer 2000 (June 1, 2000 through September 30, 20(
75 MW for non-summer months (October 1, 2000 through May 31,

Option 2: 75 MW June 1, 2000 through May 31, 2001

Option 3: Up to 100 MW for the last three (3) contract years (June 1, 2001 thrc
May 31, 2004)

Options 1 and 2 are mutually exclusive. Aquila would be willing to consider selling the su
and non-summer months in Option 1 separately.

Option 3 may be selected by MPS, if it desires, only if it has agreed to purchase capacity
Options 1 or 2.

CAPACITY PRICE

We have priced the capacity at the site, and provided a number of transmission options to move the power and associated energy to MPS' system at MPS' cost. The least cost firm transmission path from the project to MPS, across Entergy and Ameren, is presently ~$2.00/kW-month. The capacity prices under various options are shown below:

<u>Option 1</u>
$10,000/MW-month from June 1, 2000 through September 30, 2000 (100 MW)
$750/MW-month from October 1, 2000 through May 31, 2001 (75 MW)

<u>Option 2 (75 MW)</u>
$3,833.33/MW-month from June 1, 2000 through May 31, 2001

<u>Option 3 (Up to 100 MW)</u>
$4,000/MW-month from June 1, 2001 through May 31, 2002
$4,500/MW-month from June 1, 2002 through May 31, 2003
$5,000/MW-month from June 1, 2003 through May 31, 2004

<u>Buyout option costs</u>
$10,000/MW for termination during the contract year of June 1, 2002 through May 31, 2003.
$20,000/MW for termination during the contract year of June 1, 2003 through May 31, 2004 (except on May 31, 2004).

The buyout option can be exercised with no less than 12 months' prior written notice by MPS to Aquila Power.

TRANSMISSION SERVICE

Transmission charges will be billed to MPS at Aqulia's actual cost. Aquila has identified transmission across Entergy and Ameren as the least cost firm transmission path from the Batesville project which meets the RFP requirements. Present prices for firm transmission on this path range from ~$2000/MW-month ~$2162/MW-month, depending on whether annual or monthly firm service is purchased from Entergy (refer to Table 1, below). However, Aquila believes that it may be possible for MPS to relax the requirement for firm service to MPS if the capacity were to be delivered across Entergy to the Southwest Power Pool (SPP). This is because capacity delivered to the SPP is expected to be counted by the SPP in order to meet a member utility's reserve capacity obligations (per an Aquila discussion with SPP staff). While the SPP will have a requirement effective October 1, 1998 that firm transmission for purchased capacity is required, there is at present no penalty imposed if this requirement is not met. In addition, the issue of grandfathering capacity transactions which existed before the October 1, 1998 effective date, analagous to grandfathering transmission service transactions entered into before the effective date of the SPP regional transmission tariff, to Aquila's knowledge has not been addressed. There may therefore be an opportunity to grandfather the associat[ed] transmission arrangements. For these reasons, Aquila has shown present firm transmissi[on] prices in Table 1, below for alternative scenarios for consideration by MPS.

Table 1
Transmission Scenarios and Present Prices
(For capacity from Aquila's designated generating unit in Batesville, MS)

Path	Utility #1 and cost	Utility #2 and cost	Total ($/MW-mo)
Project-Entergy -Ameren-MPS	Entergy $999.10/MW-mo. (incl. 3% cap. Losses) (+$0.20/MWh anc. Svcs.) (annual firm service)	Ameren $11974.52 per MW-yr ($0.21/MWh losses) (annual firm service)	$1996.98
Project-Entergy -Ameren-MPS	Entergy $1163.9/MW-mo. (incl. 3% cap. Losses) (+$0.20/MWh anc. Svcs.) (monthly firm service)	Ameren $997.86 per MW-mo. ($0.21/MWh losses) (monthly firm service)	$2161.76
Project-Entergy -AECI-MPS	Entergy $999.10/MW-mo. (incl. 3% cap. Losses) (+$0.20/MWh anc. Svcs.) (annual firm service)	AECI $21192.87 per MW-yr (+$1.20/MWh losses & anc. svcs.) (annual firm service)	$2765.17

Project-Entergy -AECI-MPS	Entergy $1163.9/MW-mo. (incl. 3% cap. Losses) (+$0.20/MWh anc. Svcs.) (monthly firm service)	AECI $1766.08 per MW-mo. (+$1.20/MWh losses & anc. svcs.) (monthly firm service)	$2929.98
Project-TVA -Ameren-MPS	TVA $2041/MW-mo. (+. 3% losses) (monthly firm service)	Ameren $997.86 per MW-mo. ($0.21/MWh losses) (monthly firm service)	$3038.86

ENERGY PRICE

The offered energy price is $100.00/MWh plus the actual cost of transmission losses and/or ancillary services for delivery of the power to MPS. At present, the estimated cost of transmission losses across Entergy and Ameren (the least cost firm path) is $3.41/MWh.

OPERATION AND MAINTENANCE

Operation

LS Power will be responsible for operation of the designated generating unit. Aquila Power will be responsible for the fuel supply. The unit will be operated and maintained in accordance with equipment manufacturer recommendations.

Maintenance

LS Power will be responsible for maintaining the unit in accordance with equipment manufacturer recommendations. Aquila's contract with LS Power contains strong incentives for LS Power to schedule maintenance during the low load months in the Spring and Fall, and to minimize the annual scheduled maintenance hours subject to manufacturer's recommendations. Scheduled maintenance is not allowed during the period from June 15 to September 15.

The maintenance schedule for the designated unit is determined annually. The criteria and contract conditions for determining the maintenance schedule are attached. Aquila requests this information be treated as confidential.

"Section 5.4 Scheduled Maintenance.

(a) At least thirty (30) Days prior to the Commerci Operation Date and thereafter prior to June 1 of each subseque calendar year, Purchaser shall provide to Seller a non-bindi proposed schedule of its projected Dispatch for, in the case the first such schedule, the nineteen (19)-Month period beginni on the Commercial Operation Date, and thereafter for the twel (12)-Month period beginning on January 1st of the followi calendar year.

Based on Purchaser's projected Dispatch schedule and subje to Section 5.4(b), Seller shall provide Purchaser with it proposed maintenance schedule for such twelve (12)-Month peric within ten (10) Days following receipt of Purchaser's projecte Dispatch schedule. Purchaser and Seller shall agree on th expected timing of the Scheduled Maintenance Outages for suc twelve (12)-Month period with no Scheduled Maintenance Outages t occur during the period from June 15 to September 15. Schedule Maintenance Outages may be taken in any number of non-contiguou periods, provided number of Scheduled Maintenance Hours does no exceed the amounts specified in Section 5.4(b). Seller shal coordinate all Scheduled Maintenance Outages with Purchaser b giving Purchaser written notice at least ten (10) Days prior t Scheduled Maintenance Outage such notice to include the schedu d start date, time, and duration of such Scheduled Maintenance Outage. Unless otherwise agreed by the Parties, acting reasonably, the start date of a Scheduled Maintenance Outage shall occur within one (1) Day of the date the Parties agreed to schedule such Scheduled Maintenance Outage as set forth above. To the extent the start of a Scheduled Maintenance Outage deviates by more than one (1) Day from the schedule that had been agreed to, such deviation shall count towards the 120 hours available to Seller pursuant to Section 5.4(c).

(b) Scheduled Maintenance Outages shall be determined in accordance with manufacturer's recommendations in accordance with formulae provided by relevant equipment manufacturers. The number of Scheduled Maintenance Hours shall be further limited to 336 hours each calendar year in which a minor inspection (e.g. combustion inspection) occurs, 480 hours each calendar year in which a hot gas path inspection occurs, and 840 hours each calendar year in which a Major Inspection occurs. Subject to Purchaser not exceeding 200 Start-Ups per year, the Scheduled Maintenance Outage frequency shall be no greater than annually for a minor inspection, every three (3) years for a hot gas path inspection, and every five (5) years for a Major Inspection; provided, however, that such maintenance frequencies shall be further subject to changes in the manufacturer's recommendations. To the extent Purchaser exceeds 200 Start-Ups in a calendar year and to the extent manufacturer's recommendations require a greater frequency of maintenance than that described herein, the frequency of such maintenance shall be adjusted in accordance with such manufacturer's recommendations.

(c) If required in accordance with Prudent Industry Practices or manufacturers' recommendations, Seller may utilize up to 120 Scheduled Maintenance Hours per calendar year to perform maintenance repairs at a different time than designated pursuant to Section 5.4(a). Seller shall provide Purchaser with no less than two (2) Business Days prior notice of such requirement; provided that Seller shall not be entitled to make such re-allocation of Scheduled Maintenance Hours during the period from June 15 through September 15 without the prior consent of Purchaser. Seller shall use its best efforts to schedule such Scheduled Maintenance Outages in a manner that allows Scheduled Maintenance Outages of less than eight (8) contiguous hours to occur during Off-Peak Hours.''

AVAILABILITY

The minimum guaranteed annual equivalent availability, once the unit achieves commercial operation, is 93%.

SCHEDULING

Scheduling of power and energy from the designated generating unit will be by MPS to Aquila by 8:30 a.m the previous business day. This deadline is needed to enable Aquila to nominate natural gas for the unit. Schedules shall be submitted by MPS to Aquila Power by facsimile or telephoned instruction to Aquila's designated representative for this transaction. The minimum schedule block is 25 MW for any hour the power is scheduled. The minimum schedule duration is eight (8) consecutive hours. MPS shall also reimburse Aquila for a pro-rata share of start-up costs; for a 267 MW generating unit approximately 3000 MCf of natural gas is required for start-up.

When Aquila is serving MPS from the generating unit, procedures will need to be established to cover the generating unit ramp rates from synchronization to minimum load, and between minimum and full load. This may mean that changes in scheduled hourly deliveries requested by MPS may need to be accommodated over more time than the ten minute ramp across the top of the hour which is normal practice in SPP. In such event, MPS and Aquila will develop procedures, working with transmission providers, to allow longer ramp times if required to facilitate desired schedule changes.

DELIVERY POINTS

- APC will deliver energy to MPS' interconnections with the Eastern interconnection. Th includes MPS' direct interconnections with Ameren, Associated Electric Cooperative, Inc Kansas City Power & Light, and Western Resources.

BUYOUT OPTIONS

Buyout option costs are as follows:

$10,000/MW for termination during the contract year of June 1, 2002 through May 31, 2003.

$20,000/MW for termination during the contract year of June 1, 2003 through May 31, 2004 (except on May 31, 2004).

The buyout option can be exercised with no less than 12 months' prior written notice by MPS to Aquila Power.

Tab

CONDITIONS PRECEDENT

Any agreement entered into hereunder will have the conditions precedent to effectiveness of the agreement that:

1. The Project will have financial closing occur by August 15, 1998, unless such condition is waived or extended by Aquila Power.

2. The effectiveness of the agreement shall also be subject to receipt of all required regulatory approvals, including for Aquila, the Federal Energy Regulatory Commission, and including for MPS the Missouri Public Service Commission.

3. Completion of construction and commissioning of the unit as scheduled.

4. Acquisition of firm transmission service as directed by Missouri Public Service.

SCHEDULE MS-3

AQUILA POWER LETTER ADVISING OF CONTINUING INTEREST IN SUPPLYING MPS

DATED

NOVEMBER 9, 1998

Aquila Power
10750 East 350 Highway
P.O. Box 11739
Kansas City, MO 64138
816-936-8712
Fax: 816-936-8775
msherman@utilicorp.com

AQUILA ENERGY

Max A. Sherman
Director
Power Marketing

November 9, 1998

Mr. Frank A. DeBacker
Missouri Public Service
10700 East 350 Highway
Kansas City, Missouri 64138

Subject: Power Supply RFP for Missouri Public Service (MPS)

Dear Frank:

This letter responds to your letter of November 6 requesting Aquila respond on whether we continue to have an interest in providing power supply resources to MPS, and to provide any pricing changes and/or other modifications to our original proposal. Please be advised that Aquila Power remains interested in providing power supply resources to MPS. We also have incorporated into our proposed unit power sales agreement the changes we have previously discussed. That document is attached.

Very truly yours,

Max Sherman

Max Sherman
Director, Power Marketing

Enclosure

cc: David Stevenson
John Hall
Joe Gocke
Jeff James

AQUILA POWER

-Draft-

UNIT POWER SALES AGREEMENT

between

AQUILA POWER CORPORATION
10750 East 350 Highway
Kansas City, Missouri 64138

and

UTILICORP UNITED INC.
d/b/a
Missouri Public Service
10700 East 350 Highway
P.O. Box 11739
Kansas City, Missouri 64138

Dated: ____________________

Agreement No: ________

TABLE OF CONTENTS

UNIT POWER SALES AGREEMENT
BETWEEN
AQUILA POWER CORPORATION
AND
UTILICORP UNITED INC. d/b/a MISSOURI PUBLIC SERVICE

THIS AGREEMENT, is made and entered into this __ day of ______, 1998, by and between AQUILA POWER CORPORATION, a Delaware corporation, engaged in the business of purchasing electric power and energy for sale to other entities at wholesale, having its principal office and place of business at 10750 East 350 Highway, Kansas City, Missouri 64138 (hereinafter referred to as "Aquila"), and UTILICORP UNITED INC. d/b/a Missouri Public Service, a Delaware corporation having its principal office and place of business at 10700 East 350 Highway, Kansas City, Missouri 64138 (hereinafter referred to as "MPS"), Aquila and MPS being individually and collectively referred to as, respectively, Party or Parties,

WITNESSETH:

WHEREAS, MPS desires to purchase 135 megawatts ("135 MW") of unit capacity and energy for the summer of 2000; and

WHEREAS, Aquila desires to sell unit capacity and associated energy from a combined cycle generating unit presently under construction by LSP Energy Limited Partnership in Batesville, Mississippi, ("Batesville Unit 1");

WHEREAS, it is intended that as provided herein the power and energy from Batesville Unit 1 or other Aquila Power Resources will be delivered by Aquila to MPS at the MPS transmission system;

NOW THEREFORE, in consideration of the premises and the mutual covenants and agreements hereinafter set forth, the Parties hereto mutually contract and agree as follows:

ARTICLE 1 – DEFINITIONS

The following terms shall have the respective meanings set forth below:

1.1 Agreement. Agreement means this Unit Power Sales Agreement, including when applicable, any amendments and exhibits hereto, that the Parties may execute now or at any time in the future.

1.2 Aquila Power Resources. Aquila Power Resources shall mean the Designated Aquila Power Resource and any other electric generating facilities owned or purchased by Aquila (including Aquila's share of power and energy in any jointly owned facilities) or capacity purchased by Aquila from others.

1.3 Batesville Unit 1. Batesville Unit 1 shall mean the designated unit of LSP Energy Limited Partnership's combined-cycle generating station located in Batesville, Mississippi, for which the power and energy is being purchased by Aquila, with an estimated net capability rating of 279 MW as of the date this Agreement is executed.

1.4 Billing Month. Billing Month means the period beginning on the first day and extending through the last day of each calendar month during the term of this Agreement.

1.5 Business Day. Business Day means any day on which Federal Reserve member banks in New York City are open for business; and a Business Day shall open at 8:00 a.m. and close at 5:00 p.m. local time for each Party's principal place of business.

1.6 Designated Aquila Power Resource. Designated Aquila Power Resource shall mean an Aquila Power Resource designated by Aquila and approved by MPS for generating capacity pursuant to Section 3.1 of this Agreement.

1.7 Effective Date of Service. Effective Date of Service shall mean the date on which sales of capacity and associated energy under this Agreement are scheduled to commence, as set forth in Section 2.1 hereof.

1.8 Equivalent Availability. Equivalent Availability shall have the meaning as described in Section 5.3 below.

1.9 Event of Default. Event of Default shall have the meaning as described in Section 13.1.

1.10 FERC. FERC shall mean the Federal Energy Regulatory Commission, or any successor to its functions.

1.11 MPSC. MPSC shall mean the Missouri Public Service Commission, or any successor to its functions.

1.12 Points of Delivery. Points of Delivery shall mean points of interconnection between MPS and the Eastern Interconnection, including those interconnections with Ameren (formerly Union Electric Company), Associated Electric Cooperative, Kansas City Power and Light, Western Resources and any point of interconnection which may be established in the future.

1.13 Prudent Industry Practices. Prudent Industry Practices shall mean any of the practices, methods, standards and acts (including, but not limited to, the practices, methods and acts engaged in or approved by a significant portion of the electric power generation industry in the United States) that, at a particular time, in the exercise of reasonable judgment in light of the facts known or that should reasonably have been known at the time a decision was made, could have been expected to accomplish the desired result consistent with good business practices, reliability, economy, safety and expedition, and which practices, methods, standards and acts generally conform to operation and maintenance standards recommended by a facility's equipment suppliers and manufacturers, applicable facility design limits and applicable governmental approvals and law.

1.14 Rated Capability. Rated Capability shall mean the capability of any Designated Aquila Power Resource, as such capability is determined from time to time by Aquila or the operator of the Designated Aquila Power Resource pursuant to Prudent Industry Practices.

1.15 Regulatory Approval Date. Regulatory Approval Date shall mean ________.

1.16 Taxes. Taxes shall mean any or all ad valorem, property, occupation, severance, generation, first use, conservation, Btu or energy, transmission, utility, gross receipts, privilege, sales, use, excise and other taxes, governmental charges, licenses, fees, permits and assessments, other than taxes based on net income or net worth. "New Taxes" means (i) any Taxes enacted and effective after the effective date of this Agreement, including without limitation, that portion of any Taxes or New Taxes that constitutes an increase, or (ii) any law, rule, order or regulation, or interpretation thereof, enacted and effective after the effective date of this Agreement resulting in the application of any Taxes to a new or different class of Parties.

ARTICLE 2 – TERM OF AGREEMENT

2.1 Effective Date. The effective date of this Agreement shall be the date this Agreement has been executed by both Parties. The Effective Date of Service under this Agreement shall be June 1, 2000.

2.1.1 Conditions Precedent. The following shall be conditions precedent to the Effective Date for Service:

(a) Transmission Service Arrangements. Complete execution of final contractual arrangements for the delivery of power from Batesville Unit 1 to MPS within ninety (90) days following the Regulatory Approval Date, upon terms which are satisfactory to both Parties; provided, however, that MPS may elect to have Aquila enter into such arrangements at an earlier date, in which event MPS shall indemnify and reimburse Aquila for all fixed costs associated with such entering into such arrangements, including, without limitation, all deposits and reservation charges imposed on Aquila.

(b) Batesville Unit 1 Commercial Operation Date. Certification of the Commercial Operation Date for the Batesville Unit 1 (as defined in Aquila's agreement with the owner of Batesville Unit 1) by June 1, 2000, unless otherwise agreed or Aquila provides power and energy from other Designated Aquila Power Resources to the extent the Commercial Operation Date is delayed.

(c) FERC approval. Final approval by FERC of this Agreement upon terms satisfactory to both Parties by the Regulatory Approval Date.

(d) MPSC approval. Final approval by the MPSC of this Agreement upon terms satisfactory to both Parties by the Regulatory Approval Date.

2.1.2 Agreement to Fulfill Conditions. Aquila and MPS agree to expeditiously seek to fulfill each of the conditions listed above which is incumbent upon them to satisfy and shall notify the other Party when each condition is satisfied. Each Party shall cooperate with the other in attempting to satisfy the conditions.

2.1.3 Failure of Condition Precedent. In the event conditions (a) or (b) above are not achieved by the dates specified therein, MPS shall have the continuing right to terminate this Agreement upon thirty (30) days' advance written notice to Aquila. In the event such condition has been satisfied prior to the end of such thirty (30) day period, then such termination shall be of no effect. In the event conditions (c) or (d) above have not been satisfied by the dates specified therein, then, unless otherwise agreed by the Parties in writing, this Agreement shall automatically terminate as of such date.

2.2 Termination Date. The provisions of this Agreement shall continue in effect through September 30, 2000, unless earlier terminated, as provided below:

2.2.1 Default Either Party may terminate this Agreement in accordance with the provisions of Article 13 as a result of the other Party's failure to cure an Event of Default.

2.2.2 Changed Agreement. In the event this Agreement or the operation thereof, is changed or modified by the action of any regulatory agency or authority, either Party, if adversely affected to a material extent, shall have the right to negotiate for the necessary relief to alleviate said adverse effects brought on by either the changes or modifications. Once a Party determines that a regulatory change or modification adversely affects such Party, the Party shall give notice of its desire to enter into negotiations, as provided herein above. As soon as practicable after issuance of such notice, the Parties shall commence good faith negotiations to arrive at a mutually agreeable solution to the problem. However, if the Parties are unable to agree on a mutually satisfactory solution within sixty (60) days from the date of the above referenced notice, the aggrieved Party may terminate this Agreement on five (5) month's notice to the other Party.

2.2.3 Conditions Precedent. The termination of this Agreement pursuant to Section 2.1.1.

2.3 Effect of Termination. In the event that this Agreement is terminated pursuant to Section 2.1.1 above, then neither Party shall have any other obligation to the other under this Agreement. In the event that this Agreement is terminated pursuant to Sections 2.2.1 and 2.2.2 above, the rights and obligations of the Parties pursuant to this Agreement shall continue unaffected until the termination is effective. Any such termination shall not relieve MPS of its obligation to pay any unpaid invoices for any capacity made available or energy supplied prior to the date such termination is effective, or relieve Aquila of its obligation to deliver scheduled power prior to the date such termination is effective.

ARTICLE 3 -- CAPACITY AND ENERGY TO BE PURCHASED AND SOLD

3.1 Generating Capacity and Energy. Subject to the other provisions of this Agreeme Aquila agrees to sell and MPS agrees to purchase generating capacity in the amount of c hundred and thirty-five megawatts (135 MW) and scheduled energy at the Points of Delive from one or more Designated Aquila Power Resources for the term of this Agreement. T initial Designated Aquila Power Resource for generating capacity and energy shall be Batesvi Unit 1. Aquila may, from time to time at its sole discretion, offer to designate other Aqui Power Resources as the Designated Aquila Power Resource; however, MPS may in its so discretion reject such offer, in which event, the Designated Aquila Power Resource sha continue to be Batesville Unit 1.

ARTICLE 4 – CURTAILMENT OF CAPACITY AND ENERGY

4.1 When Curtailable. Capacity and energy from the Designated Aquila Power Resource fo supply of generating capacity shall be continuously available except that it may be curtailed a the option of Aquila in the event of the occurrence of any or all of the following, as determinec by Aquila in accordance with Prudent Industry Practices:

4.1.1 Equipment Failure. Equipment failure requiring reduced operation or shutdown of the Designated Aquila Power Resource for the supply of generating capacity; or

4.1.2 Inspection. Inspection requiring reduced operation or shutdown of the Designated Aquila Power Resource for the supply of generating capacity; or

4.1.3 Maintenance or Repair. Maintenance or repair requiring reduced operation or shutdown of the Designated Aquila Power Resource for the supply of generating capacity; or

4.1.4 Derate. Derate (defined as a reduction in the Rated Capability) of the Designated Aquila Power Resource for the supply of generating capacity, whether such derate is the result of equipment failure, inspection, maintenance or repair or any other cause; or

4.1.5 Transmission Limitations. Transmission limitations on MPS' system affecting MPS' ability to receive the power and energy at the Points of Delivery as required to implement this Agreement, or transmission limitations on the transmission systems of other third parties, when such limitations are judged, in accordance with Prudent Industry Practices, to require curtailment of delivery to MPS; or

4.1.6 Force Majeure. Force Majeure events as defined in Article 12 hereof.

4.2 Additional Curtailment Provisions

4.2.1 Effect of Curtailment. When capacity is curtailed pursuant to Section 4.1 hereof, the generating capacity shall be reduced by no more than the ratio of the unavailable capacity to the Rated Capability of the Designated Aquila Power Resource. When the condition leading to curtailment is removed, generating capacity shall be restored to pre-curtailment levels.

4.2.2 Notice. To the extent practicable, Aquila shall supply MPS reasonable advance notice of all curtailments and interruptions of contracted for capacity and energy under this Agreement.

4.2.3 Aquila Power Resource Performance. Aquila shall operate, maintain and restore, either directly or through its agent and operator, the Designated Aquila Power Resource in accordance with Prudent Industry Practices.

4.2.4 Other Resources. When delivery of generating capacity or energy to MPS from the Designated Aquila Power Resource is curtailed as set forth above, Aquila shall not be obligated to deliver generating capacity or energy from any other resource.

ARTICLE 5 – PRICE FOR CAPACITY AND ENERGY

5.1 Capacity Charge. The capacity charge for the generating capacity for the full contracted quantity for each month of the term of this Agreement is $6.85 per kilowatt-month ($6.85/kW-month) from June 1, 2000 through September 30, 2000, plus the actual cost of transmission service and ancillary service charges to deliver the power and energy from Batesville Unit 1 to MPS, as provided in Section 5.5, below.

5.2 Energy Charge. The price for all energy delivered by Aquila to MPS under this Agreement is $100.00/MWh plus the actual cost of transmission losses and ancillary services for delivery of the power to MPS, for the specified firm path from Batesville Unit 1 to MPS as set forth in Section 5.5. In addition, for each start-up of the Designated Aquila Power Resource, MPS shall reimburse Aquila for a pro-rata share of start-up costs. Such reimbursement shall equal MPS' pro-rata share of Aquila's actual cost for 3,000 MMBtu of natural gas at the time of each start-up.

5.3 Guaranteed Minimum Equivalent Availability. During the period from June 1, 2000 through September 30, 2000, Aquila guarantees the Equivalent Availability ("EA"), as defined hereafter, of the energy output of the capacity supplied hereunder shall be not less than ninety-three percent (93%). In the event the EA during such period is less than ninety-three percent (93%), the capacity charge specified in Section 5.1 above shall be adjusted as provided below:

(i) When EA equals or exceeds 93%, as defined below, the capacity charge is as specified in Section 5.1 above.

(ii) When EA is less than 93%, as defined below, the capacity charge shall be $6.85/kW-month x (EA/0.93).

EA shall be determined as provided below:

$$EA = (AH - (EUDH + EPDH))/PH$$

SCHEDULE MS-3
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Where:

AH is the number of available hours during the period (the total number of hours the Unit was electrically connected to the transmission system and reserve shutdown hours, excluding Scheduled Maintenance Hours as defined below);

EUDH is the number of equivalent unplanned derate hours calculated as the sum, for each unplanned derate, of the product of the number of hours of full or partial derate hours times the size of the reduction divided by the rated generating capability of the Designated Aquila Power Resource for the period. For the purposes of this calculation, an unplanned derate includes forced outages, forced derates, shortages relative to the planned start-up time, shortages relative to the planned ramp rates, and other times when the net electrical output of the Designated Aquila Power Resource is less than the amount of energy dispatched, excluding unavailability due to Force Majeure events;

EPDH is the number of equivalent planned derate hours, excluding SMH (Scheduled Maintenance Hours) as defined below, calculated as the sum, for each planned derate, of the product of the number hours of full or partial derate hours times the size of the reduction, divided by the available capacity for the period. For the purposes of this calculation, a planned derate excludes unavailability due to Force Majeure events;

PH is the number of period hours (2928 hours from 00:00 hours Central Prevailing Time (CPT) on June 1, 2000 through 24:00 hours CPT on September 30, 2000) excluding hours of Force Majeure events;

SMH is the number of scheduled maintenance hours during the period, which in no event shall exceed five (5) days in each of the periods from June 1, 2000 through June 15, 2000 and September 15, 2000 through September 30, 2000; provided, however, that for the period from June 16, 2000 through September 14, 2000, SMH shall be deemed to be zero.

For the purposes of calculating EA, Aquila shall receive credit in the calculation for those hours when the output of the Designated Aquila Power Resource is restricted, when and to the extent Aquila is delivering power and energy to MPS, as scheduled hereunder.

5.4 Exclusive Remedy. The reduction in the Capacity Charge as set forth above shall be MPS' exclusive remedy for any failure of Aquila to deliver capacity and/or energy pursuant to this Agreement, and all other remedies are hereby waived.

5.5 Transmission Service Charges. The fixed and variable costs of transmission service or other ancillary service charges associated with delivery of power and energy from Batesville Unit 1 to MPS shall be passed through to MPS, at Aquila's actual cost, with no markup. The variable cost shall be included in the energy charge as set forth in Section 5.2 above. All applicable transmission or other ancillary service costs shall be itemized in sufficient detail as to allow MPS to verify the charges.

5.6 No Petitioning for a Change. Aquila and MPS covenant, to each other's mutual benefit, not to initiate, pursue or support any petition or request with any body having jurisdiction, including but not limited to the FERC, for an increase, decrease or other modification of the rate at which capacity and energy are sold hereunder and as may be initially approved by any applicable regulatory authority, if any.

ARTICLE 6 -- SCHEDULING

Subject to the other provisions of this Agreement, in any hour MPS is entitled to schedule and receive energy up to the maximum generating capacity to which MPS is entitled, MPS shall schedule generating capacity and associated energy with Aquila. Schedules for each day shall be made by 8:30 a.m. Central Prevailing Time on the previous Business Day, unless otherwise agreed by Aquila and MPS. Schedules shall be submitted by MPS to Aquila by facsimile or telephoned instruction to Aquila's designated representative for this transaction. The minimum schedule block is 25 MW for any hour the power is scheduled, unless otherwise agreed. The minimum schedule duration is sixteen (16) consecutive hours, and the quantity shall be fixed at a single MW value for the schedule duration (unless otherwise agreed).

When Aquila is serving MPS from the Designated Aquila Power Resource, procedures will need to be established to cover the generating unit ramp rates from synchronization to minimum load, and between minimum and full load. This may mean that changes in scheduled hourly deliveries requested by MPS may need to be accommodated over more time than the ten minute ramp across the top of the hour which is normal practice in the Southwest Power Pool ("SPP"). In such event, MPS and Aquila will develop procedures, working with transmission providers, to allow longer ramp times if required to facilitate desired schedule changes.

ARTICLE 7 – TRANSMISSION SERVICE

Aquila shall arrange, contract, and pay for obtaining firm transmission service from Batesville Unit 1 across the Entergy system to Ameren, and across the Ameren system to MPS, to supply the power and associated energy from Batesville Unit 1 to the Points of Delivery under this

Agreement. The costs of such transmission service shall be billed to and reimbursed by MPS as provided in Section 5.5 above.

ARTICLE 8 – CLEAN AIR ACT EMISSIONS ALLOWANCES

Subject to the provisions of Section 2.2.2 hereof, Aquila shall provide all Clean Air Act emissions allowances necessary to provide generating capacity at an annual capacity factor of up to twenty percent (20%). The cost of any emissions allowances required because MPS takes energy at an annual capacity factor above twenty percent (20%) shall be for MPS' account. Should additional SO_2 allowances be required, MPS upon reasonable notice to Aquila, may choose to provide the necessary allowances prior to the ensuing January 30th.

ARTICLE 9 – BILLING AND PAYMENT

9.1 Timing; Method of Payment. Aquila will render to MPS invoices for all payments or other charges due hereunder on a monthly basis. Invoices for any month will be issued on or before the fifth (5th) day of the following month, and such invoices will be payable by MPS before the twentieth (20th) day of that month or fifteen (15) days after issuance of the invoice, whichever is later, to the credit of Aquila Power Corporation, 10750 East 350 Highway, Kansas City, Missouri 64138. All remittances for payment shall be made in immediately available funds, unless otherwise agreed, and shall be made at the office or bank account as designated by Aquila by wire transfer pursuant to the wire transfer instructions as set forth in Section 16.13.

9.2 Late Payment. Amounts owed by MPS and not disputed, if not remitted within the time period specified under Section 9.1 above, shall be subject to a late payment charge based on the rate of interest calculated as provided in Section 16.5 hereof.

9.3 Disputed Billings. In case any portion of an invoice submitted pursuant to Section 9.1 hereof is in bona fide dispute, the undisputed amount shall be payable when due. With each partial payment, MPS shall provide Aquila with its grounds for disputing a bill. Upon determination of the correct amount, the remainder, if any, shall become due and payable with interest, calculated as provided in Section 16.5 hereof, accruing from and after the date such payment would otherwise have been due.

9.4 Adjustments. If any overcharge or undercharge in any form whatsoever shall at any time be found and the statement therefor has been paid, the Party that has been paid the overcharge shall refund the amount of the overcharge paid and the Party that has been undercharged shall pay the amount of the undercharge, within thirty (30) days after final determination thereof; provided, however, no retroactive adjustment shall be made for any overcharge or undercharge beyond a period of twenty-four (24) months from the date of the statement on which such overcharge or undercharge was first included.

9.5 Audit Rights. The Parties shall keep complete and accurate records, meter readings and memoranda of their operations under this Agreement and shall maintain such data for a period of at least two (2) years after the completion of each Billing Month hereunder. Either Party shall have the right to examine and inspect all such records, meter readings and memoranda insofar as may be necessary for the purpose of ascertaining the reasonableness and accuracy of all relevant data, estimates, statements or charges submitted to it hereunder.

ARTICLE 10 – TAXES

Any changes in fuels, energy, sales, environmental, emissions, excise or other federal, state or local Taxes (excluding income taxes) imposed on Aquila in connection with the sale of capacity and energy to MPS hereunder or the provision of fuel supply used to generate the energy sold hereunder, shall be for MPS' account.

Aquila represents that, as of the date of this Agreement, no Taxes (other than income taxes and taxes included in the cost of fuel) would be imposed on Aquila in connection with serving MPS hereunder by the State of Mississippi, its political subdivisions, or the federal government.

ARTICLE 11 – LIABILITY ALLOCATION

11.1 Indemnification. Each Party shall indemnify, save harmless and defend the other Party hereto, including the other Party's parent, subsidiaries, member cities, affiliates, and their respective officers, directors, agents and employees, from and against all claims, demands, costs and expenses (including reasonable attorneys' fees) in any manner, directly or indirectly, connected with or arising from any loss, damage or injury (including death) to any person(s) or property occurring on its side of the Points of Delivery to the extent that any such claim, demand, cost, or expense is attributable to any negligent or willful act or omission of the Indemnifying Party or its respective officers, directors, agents, or employees. In event such damage or injury is caused by the joint or concurrent negligence of the Parties hereto, the loss shall be borne by both Parties proportionately to their degree of negligence.

11.2 Limitation of Liability. Neither Party shall be liable to the other, whether in contract, in tort (including negligence and strict liability), under any warranty or otherwise, for damages for loss of profits or revenue, loss of use of any property, cost of capital, or other similar incidental or consequential damages; provided, however, that nothing herein contained shall be deemed to limit the recovery by Aquila of damages for any costs or losses incurred by Aquila as a result of MPS' failure to receive energy which has been scheduled by MPS and delivered by Aquila, and provided further that in the event any provisions of this Article are held to be invalid or unenforceable against MPS under the laws of the State of Missouri, this Article shall, to the extent of such invalidity or unenforceability, be void and of no effect, and no claim arising out of such invalidity or lack of enforceability shall be made against MPS or its officers, agents, or employees. Notwithstanding the foregoing, this Section 11.2 shall not limit or negate the right of either Party to be fully indemnified as provided in Section 11.1 above.

ARTICLE 12 – FORCE MAJEURE

12.1 Force Majeure Defined. Force Majeure shall mean causes or events beyond the reasonable control of, and without the fault or negligence of, the Party claiming such Force Majeure, including, without limitation, acts of God; unusually severe actions of the elements such as floods, hurricanes, or tornadoes; sabotage; terrorism; war; riots or public disorders; fire; and actions or failures to act of any governmental agency (including expropriation, requisition, change-in-law or change in any governmental approval or environmental constraints lawfully imposed by any governmental agency) preventing, delaying, or otherwise adversely affecting performance of a Party hereto. Force Majeure shall not include the financial or monetary constraints or inability of either Party to pay its debts as they come due or the disallowance of recovery of any costs related to the sale and purchase of capacity or energy under this agreement by FERC, the MPSC or any other governmental agency.

12.2 Excuse by Reason of Force Majeure. Neither Aquila nor MPS shall be in default of any of its obligations under this Agreement, including but not limited to Aquila's obligation to deliver capacity and energy or MPS' obligation to receive capacity and energy, when such default is caused by a Force Majeure event. Notwithstanding the foregoing, a Force Majeure event shall not excuse the payment of any amounts due under this Agreement. The Parties' respective obligations to perform shall resume on cessation of the Force Majeure event. Notwithstanding the foregoing definition of Force Majeure, any period during which equipment failure has required reduced operation or shutdown of the Designated Aquila Power Resource shall, for the purposes of the calculation provided in Section 5.3 hereinabove, be deemed to be a period of unavailability.

ARTICLE 13 – PERFORMANCE

13.1 Event of Default. An Event of Default shall mean the failure of a Party to make (i) any payments in the time or manner required by Article 9 of this Agreement, or (ii) perform any other obligation stated herein in the time and manner required by this Agreement except where such failure to perform any such other obligation is the result of a Force Majeure event or is otherwise excused in accordance with this Agreement.

13.2 Notice of Default. Upon an Event of Default by a Party hereto, the other Party shall give written notice of such Event of Default to the Party in default. If the Event of Default is one described in clause (ii) of Section 13.1, the Party in default shall have thirty (30) days within which to cure such Default and, if cured within such time, the Event of Default specified in such notice shall cease to exist. If the Event of Default is one described in clause (i) of Section 13.1, the Party in default shall have five (5) days to pay all amounts owed, plus interest determined pursuant to Section 16.5 from the date on which such Event of Default occurred, and, if cured within such time, the Event of Default specified in such notice shall cease to exist.

13.3 Remedies for Default. If an Event of Default is not cured within the time period provided in Section 13.2, the Party not in default shall, in addition to any other rights and remedies provided by law, have a continuing right, until such Event of Default is cured, at its sole option, to suspend performance hereof, or terminate this Agreement upon written notice to the Party in Default. In addition, the nondefaulting Party shall have the right to recover from the Party in Default all attorney's fees and court costs as may be reasonably incurred by reason of such Event of Default.

ARTICLE 14 -- RIGHT OF INFORMATION

14.1 Right of Access. Aquila hereby agrees use its best efforts to grant to MPS, during the term of this Agreement, the same rights it has of ingress and egress at reasonable times to and from Batesville Unit 1 or other applicable Aquila Power Resource and site for purposes of inspecting any buildings or facilities constructed thereon. MPS shall give Aquila advance notice, which notice may be verbal, before exercising its right of access established here.

14.2 Notice of Proceedings. Aquila will promptly notify MPS of any pending or anticipated federal or state regulatory, judicial or administrative actions, including but not limited to notice of violations relative to a designated unit or its common facilities needed for its operation, which could affect Aquila's ability to carry out its obligation to supply capacity and energy hereunder or would be likely to result in an increase in the cost of capacity or energy as determined by the provisions of this Agreement.

ARTICLE 15 -- PARTIES

15.1 Authority of Parties. Each Party represents and warrants to each other that it has obtained from its Board of Directors the necessary authority to enable it lawfully to execute this Agreement, that it is a corporation duly organized and validly existing under the laws of the State of Delaware, and that this Agreement and the purposes thereof are lawfully within the scope of such Party's authority.

Each Party further represents and warrants to the other that it holds or will seek to obtain, all permits, licenses or approvals necessary to lawfully perform its obligations contained herein in the manner prescribed by this Agreement.

15.2 Survivorship of Obligations. The termination or cancellation of this Agreement shall not discharge any Party from any obligation it owes the other Party under this Agreement by reason of any transaction, loss, cost, damage, expense or liability which shall occur or arise prior to such termination. It is the intent of the Parties that any such obligation owed (whether the same shall be known or unknown as of the termination or cancellation of this Agreement) will survive the termination or cancellation of this Agreement in favor of the Party to whom such obligation is owed until the expiration of the period of limitations imposed on such obligation by the statute of limitations applicable to the obligation and/or such Party. The Parties also intend that the indemnification and limitation of liability provision contained in Section 11.1 hereof shall remain operative and in full force and effect, regardless of any termination or cancellation of this Agreement, except with respect to actions or events occurring or arising after such termination or cancellation is effective.

15.3 Permitted Assignment. This Agreement shall be binding upon and inure to the benefit of the permitted successors and assigns of the Parties hereto. No permitted sale, assignment, transfer or other disposition shall release or discharge MPS or Aquila from its obligations under this Agreement, but all such obligations shall be assumed by the successor or assign of the Party hereto.

Neither Party shall assign its interest in this Agreement in whole or part without the prior written consent of the other Party. Such consent shall not be unreasonably withheld.

15.4 No Third Party Beneficiaries. This Agreement is not intended to, and shall not, create rights, remedies or benefits of any character whatsoever in favor of any persons, corporations, associations, or entities other than the Parties, and the obligations herein assigned are solely for the use and benefit of the Parties, their successors in interest or assigns.

ARTICLE 16 – MISCELLANEOUS

16.1 Governing Law. The validity, interpretation and performance of this Agreement and each of its provisions shall be governed by the applicable laws of the State of Missouri and of the United States of America.

16.2 Confidentiality. Neither Party shall disclose the terms of this Agreement to any third party (other than such Party's employees, lenders, counsel, accountants or other advisors) except in order to comply with any applicable law, order, regulatory or exchange rule. Each Party shall notify the other Party of any proceeding of which it is aware that may result in disclosure and shall use reasonable efforts to prevent or limit such disclosure.

MPS agrees and covenants that, to the extent permitted by law applicable to MPS, any and all information it receives pursuant to Article 14 will be kept confidential and shall not be disclosed by MPS to any third party without the express written consent of Aquila.

16.3 Section Headings Not to Affect Meaning. The descriptive headings of the various articles and sections of this Agreement have been inserted for convenience of reference only and shall in no way modify or restrict any of the terms and provisions thereof.

16.4 Computation of Time. In computing any period of time, prescribed or allowed by this Agreement, the designated period of time shall begin to run on the day immediately following the day of the act, event or default that precipitated the running of the designated period of time. The designated period shall expire on the last day of the period so computed unless that day is a Saturday, Sunday, or legal holiday recognized in either the States of Mississippi or Missouri, in which event the period shall run until the end of the next business day.

16.5 Interest. Whenever the provisions of this Agreement require the calculation of an interest rate, such rate shall be computed at an annual rate equal to the then current average yield on Treasury Bills of the United States of America having a term of thirteen (13) weeks, as quoted in the *Wall Street Journal* as of the date on which the calculation begins, plus five hundred (500) basis points, but not to exceed the maximum rate which may be lawfully charged.

16.6 Entire Agreement. This Agreement constitutes the entire agreement between the Parties relating to the subject matter hereof and supersedes any other agreements, written or oral, between the Parties concerning such subject matter.

16.7 Counterparts. This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

16.8 Amendments. This Agreement may only be amended by written agreement signed by an authorized representative of both Parties.

16.9 Severability. In the event the terms, covenants or conditions of this Agreement, or the application of any such terms, covenants or conditions shall be held invalid as to any Party or circumstance by any court or regulatory body having jurisdiction, all other terms, covenants and conditions of this Agreement and all other applications shall not be affected thereby and shall remain in full force and effect.

16.10 Waivers. Waivers of the provisions of this Agreement or excuses of any violations of the Agreement shall be valid only if in writing and signed by an authorized officer of the Party issuing the waiver or excuse. A waiver or excuse issued under one set of circumstances shall not extend to other occurrences under similar circumstances.

16.11 No Partnership Created. Notwithstanding any provision of this Agreement, the Parties do not intend to create hereby any joint venture, partnership, association taxable as a corporation, or other entity for the conduct of any business for profit, and if it should appear that one or more changes to this Agreement would be required in order not to create an entity referenced to above, the Parties agree to negotiate promptly and in good faith with respect to such changes.

16.12 Character of Sale. The sale of unit power hereunder shall not constitute a sale, lease, transfer or conveyance to MPS or any other party of any contractual rights, ownership interests in any generating unit, nor does the sale of unit power hereunder constitute a dedication of ownership of any generating unit. Energy associated with capacity from units made available hereunder shall, however, be devoted to MPS and the delivery of such energy to MPS shall not be subject to preemption by Aquila for any other use; provided however, that nothing in this Section 16.12 shall in any way limit or abridge Aquila's rights, as provided in Article 3 hereof, to designate substitute units subject to MPS' approval.

16.13 Notices. Any notice, demand, request, payment, statement, or correspondence provided for in this Agreement, or any notice which a Party may desire to give to the other, shall be in writing (unless otherwise provided) and shall be considered duly delivered when received by mail, facsimile, wire or overnight courier, at the addresses listed below:

(i) To Aquila:

Aquila Power Corporation
10750 East 350 Highway
Kansas City, MO 64138
Attention: Vice President

Payment by Wire:
For the Acct. of Aquila Power Corporation
The Northern Trust Company
ABA # 071-000-52
Account # 80330

Invoices:
Aquila Power Corporation
10750 East 350 Highway
P.O. Box 11739
Kansas City, MO 64138

Reason for Notice:	**Attention:**	**Facsimile Number:**
Statements/Payments	**Accounting Dept.**	**(402) 498-4276**
Contractual	**Contract Administration**	**(402) 498-4543**
Operations/Nominations	**Scheduling Desk**	**(816) 936-8775**

(ii) To MPS:
Missouri Public Service Company
10700 East 350 Highway
Kansas City, MO 64138
Attention: Vice President

Reason for Notice:	**Attention:**	**Facsimile Number:**
Statements/Payments	**Accounting Department**	**(816) 936-8864**
Contractual	**Contract Administration**	**(816) 936-8639**
Operations/Nominations	**Scheduling Desk**	**(816) 936-8604**

Each Party shall provide the other with all names, telephone and facsimile numbers necessary for its performance under this Agreement; and either Party may change the information shown in Section 16.13 by giving written notice to the other Party.

16.14 Survival. Any provision(s) of this Agreement that expressly or by implication comes into or remains in force following the termination or expiration of this Agreement shall survive the termination or expiration of this Agreement.

16.15 Construction. The language used in this Agreement is the product of both Parties' efforts and each Party hereby irrevocably waives the benefit of any rule of contract construction which disfavors the drafter of a contract or the drafter of specific language in a contract.

16.16 Imaged Agreement. Any original executed Agreement, schedule confirmation or other related document may be photocopied and stored on computer tapes and disks (the "Imaged Agreement"). The Imaged Agreement, if introduced as evidence on paper, the schedule confirmation, if introduced as evidence in automated facsimile form, the transaction tape, if introduced as evidence in its original form and as transcribed onto paper, and all computer records of the foregoing, if introduced as evidence in printed format, in any judicial, arbitration, mediation or administrative proceedings, will be admissible as between the Parties to the same extent and under the same conditions as other business records originated and maintained in documentary form. Neither Party shall object to the admissibility of the transaction tape, the schedule confirmation or the Imaged Agreement (or photocopies of the transcription of the transaction tape, the schedule confirmation or the Imaged Agreement) on the basis that such were not originated or maintained in documentary form under either the hearsay rule, the best evidence rule or other rule of evidence.

IN WITNESS WHEREOF, Aquila and MPS have caused this Agreement to be executed in duplicate in their name by their respective duly authorized officials as of the date and year above written.

ATTEST	AQUILA POWER CORPORATION
By ________________	By ________________
Secretary	President
	Date ________________
ATTEST	UTILICORP UNITED INC. d/b/a MISSOURI PUBLIC SERVICE
By ________________	By ________________
Secretary	President
	Date ________________

SCHEDULE MS-4

MEP RESPONSES TO MPS QUESTIONS

ON

MEP PROPOSAL

Aquila Energy Marketing Corporation
10750 East 350 Highway
P.O. Box 11739
Kansas City, MO 64138
Fax: 816-936-8775

January 6, 1999

AQUILA ENERGY

Mr. Frank DeBacker
Missouri Public Service
10700 East 350 Highway
Kansas City, MO 64138

Subject: APC Proposal of November 30, 1998 to Supply Capacity and Energy for Missouri Public Service - Identification of Legal Entity That Will Develop Missouri Generator

Dear Mr. DeBacker:

Pursuant to our conversation, this letter serves to identify the specific legal entity that will develop, construct and own the Missouri Generator that is the subject of the referenced Proposal.

Aquila Energy Corporation has established a wholly owned subsidiary, MEP Holdings, Inc. d/b/a Merchant Energy Partners, that is engaged in energy asset acquisitions and development through special purpose subsidiary companies. The Missouri Generator will be owned by such a special purpose entity, to be established upon notification from MPS of the awarding of the project to Aquila. This will also be the contracting entity with MPS on the project.

Accordingly, from this point forward all communications on this project will be from Merchant Energy Partners' management.

Please let me know if you have any questions. Thank you.

Sincerely,

Mike Jonagan

Mike Jonagan
Director - Power Marketing
Aquila Power Corporation

cc: Max Sherman
Laurie Hamilton

Merchant Energy Partners
10750 East 350 Highway
P.O. Box 11739
Kansas City, MO 64138
816-936-8712
Fax: 816-936-8724
Pager: 800-431-7491

AQUILA ENERGY

January 7, 1999

Max A. Sherman
Senior Director
Origination

Mr. Frank A. DeBacker
Missouri Public Service
10700 East 350 Highway
Kansas City, Missouri 64138

Subject: Power Supply RFP for Missouri Public Service (MPS)

Dear Frank:

This letter responds to several of the issues you raised in a meeting with Merchant Energy Partners (MEP) personnel on January 4, and additionally in a conversation with me this morning. This letter attempts to clarify, on those points, the rough draft contract we provided for MPS review on December 24, 1998. In particular:

1. Assurances on the Summer 2001 Commercial Operation Date.

    a. A detailed project schedule, which we are prepared to provide for your review, indicates MEP can achieve a mid-summer 1999 financial closing date and issuing a Full Notice to Proceed to the EPC contractor. The present schedule calls for that on July 29. We believe, for staged construction involving simple cycle commercial operation to meet a June 1, 2001 deadline, there is easily 3 months of margin in that schedule (e.g, the June 1, 2001 date can be achieved if Full Notice to Proceed were as late as October 1999).

    b. We are still considering your liquidated damages question for the summer of 2001.

    c. We assume the January 2002 commercial operation date for the plant in combined cycle configuration is less of an issue than Summer 2001, and have therefore not focused on that item.

2. Scheduling flexibility. MEP is willing to revise Article 6 – Scheduling to provide for the following deal points in response to your articulated need for scheduling flexibility:

a. Day-ahead scheduling submitted by MPS to MEP.

b. MEP can relax the minimum run time of 16 hours; we are considering a minimum of eight (8) hours when committing the plant in combined cycle mode, and less in simple cycle mode for the summer of 2001.

c. One start per day, unless we can agree in the PPA on a charge to compensate MEP for the accelerated and additional associated operating and maintenance expense. MEP will also need an annual cap on the number of starts.

d. Ability of MPS to pre-schedule different hourly values over the schedule, subject to equipment operational constraints as determined by the OEM and EPC contractors, and the air permit. This obviously affects the heat rate (discussed below).

e. Ability of MPS to change the schedule in the event MPS loses a resource serving its' native load, including economy energy resources. Schedule changes by MPS would be made consistent with the scheduling requirements of the Southwest Power Pool reserve sharing program, in which reserves are provided through the end of the next half hour. MEP would therefore receive between 31 and 59 minutes' notice of any schedule change, and MPS would therefore receive the additional power at the end of that period to replace the SPP reserves, subject to the generating equipment being on line.

f. We have your request for Automatic Generation Control under review, and want to have further discussions with MPS to resolve this item.

3. Emission Allowances. Per our discussion on January 4 concerning Article 7 of the draft PPA, any emission allowances required to supply energy from the plant to MPS will be provided for by MPS.

4. Part-load heat rate curves -- Estimated values are provided. These are necessarily subject to final selection of the OEM, associated final cycle design, and assumed heat rate degradation between scheduled maintenance.

5. Minimum load requirements -- Estimated values for both simple and combined cycle operation, as expected to be constrained by the Missouri air permit, are (a) ~105 MW

net for simple cycle operation (one combustion turbine on line); (b) ~105 MW net for one combustion turbine on line with heat rejection to the condenser, which is not a normal operating condition; (c) ~155 MW net in combined cycle operation with one combustion turbine on line and steam from the HRSG to the steam turbine; and (d) ~318 MW net in combined cycle operation with both combustion turbines on line and steam from the HRSG to the steam turbine. These estimates are based on a 99°F summer day.

Other issues can be negotiated next week if MEP is awarded the supply contract. Should you have any questions, please do not hesitate to call.

Very truly yours,

Max A. Sherman

Max Sherman
Project Manager

Enclosure

cc: V.J. Horgan
Joe Gocke
Rob Freeman
Becky Sandring
John McKinney

Estimated Heat Rates – "F" Technology Turbines

EPC Guaranteed Values -

From B+V Revised bid dated 11/30/98

	99F Unfired	54F Unfired
Net Power (kw)		
GE	464,700	498,220
Westinghouse	486,460	518,110
Advantage W =	21,760	19,890
Net HR (btu/Kwhr) HHV		
Westinghouse	6,971	6,951

Part Load Heat Rates -

Percent Plant Load	100%	90%	80%	70%	60%	50%	40%	30%	20%	
(From B+V performance curve 12/11/98 TYPICAL)										
HR Adjustment Factor	1	1.015	1.045	1.08	1.12	1.185	1.065	1.16	1.32	
99F Unfired - Westinghouse	7041	7146	[illegible]	7604	7886	← 1% Degrade				
Heat Rate (btu/kwhr)	6,971.0	7,075.6	7,284.7	7,528.7	7,807.5	8,260.6	7,424.1	8,086.4	9,201.7	← New & Clean
Load (kw)	486,460	437,814	389,168	340,522	291,876	243,230	194,584	145,938	97,292	
54F Unfired - Westinghouse						← 1% Degrade				
Heat Rate (btu/kwhr)	6,951.0	7,055.3	7,263.8	7,507.1	7,785.1	8,236.9	7,402.8	8,063.2	9,175.3	
Load (kw)	518,110	466,299	414,488	362,677	310,866	259,055	207,244	155,433	103,622	

NOTE: The air permit is expected to limit sustained operation of each CT to about 65% load except for startups. Management of this operating constraint will modify the above values.

Sherman, Max

From: DeBacker, Frank
Sent: Monday, January 11, 1999 9:56 AM
To: Sherman, Max
Cc: Kreimer, Dave
Subject: MEP Proposal of 11/30

The purpose of this communication is to request that MEP provide an option in its proposal to reduce the proposed capacity price by deleting the $5.56 million in capital included in its proposal for upgrades to the MPS transmission system.

Merchant Energy Partners
10750 East 350 Highway
P.O. Box 11739
Kansas City, MO 64138
816-936-8712
Fax: 816-936-8724
Pager: 800-431-7491

AQUILA ENERGY

January 12, 1999

Max A. Sherman
Senior Director
Origination

Mr. Frank A. DeBacker
Missouri Public Service
10700 East 350 Highway
Kansas City, Missouri 64138

Subject: Power Supply RFP for Missouri Public Service (MPS)

Dear Frank:

This letter follows up on discussions between MPS and Merchant Energy Partners (MEP) personnel on January 8, 1999 and your e-mail to me on January 11 on certain transmission issues. We are also choosing to enhance our proposal, as provided below, with the expectation that there won't be another round where bidders will be given another opportunity to revise their proposals.

We also wish to advise that MEP has taken a number of steps to advance our project, since our formal proposal was submitted, to assure timely completion. These include, but are not limited to:

1. We have signed an agreement to purchase the plant site near Pleasant Hill, Missouri. Closing on the transaction is scheduled for Friday, January 15, 1999.
2. MEP has filed the air permit application with the Missouri Department of Natural Resources/Air Quality Division. We expect approval in early June. Approval at the end of the statutory review period does not impact our planned date for issuing a Final Notice to Proceed to the EPC contractor.
3. MEP expects to have a signed Memorandum of Understanding, within the next few days, with our chosen EPC contractor.
4. Similarly, MEP expects to have a letter of intent within the next 2 or 3 weeks with our selected combustion turbine manufacturer, including a committed reservation payment for equipment supply. You will note in Section II.A below that we have provided MPS a cap on combustion turbine prices.

With regard to the issues you have identified in the last few days, we have the following responses:

I. MPS Questions on Transmission Upgrades.

Under the section titled "Delivery Points", the proposal states " The proposal includes a cost of $5,560,000 to make the transmission upgrades required to interconnect .....".

A. What upgrades are included in the $5.6 M figure?

Response: Based on discussions with MPS Transmssion, MEP included $3.56 million of "contribution in aid of construction" in the capacity price to assist MPS in completing a new 161 kV circuit from Pleasant Hill to Belton South as the preferred system upgrade. MEP understands this upgrade will significantly improve the MPS 161 kV system in addition to the 69 kV system in the northern Cass County area.

B. Does the $5.6 M figure include the cost of connecting your proposed facility to the MPS substation at Pleasant Hill?

Response: Yes. The cost to expand the existing 161 kV substation and interconnect the proposed 500 MW plant (from the high side of the step up transformer) to the MPS system has been estimated by MPS Transmission to be $2 million. This cost is included in the capacity price as bid, and is part of the $5.6 million cited above. The interconnect costs have been estimated conservatively, but are not firm at this time.

C. What is the impact on the quoted capacity price in $/kW-mo. of the $5.6 M figure?

Response: Per our conversation late yesterday, the impact should refer to $3.56 million of system upgrade costs. That comprises $0.20/kW-month in the capacity price. If system upgrades will be paid for by MPS without the contribution in aid of construction, the capacity price will be reduced accordingly.

II. Risk Mitigation and Value Enhancement

With the revisions noted below, MEP has mitigated certain risks which MPS has identified in our discussions over the last week; these revisions have significantly increased the value of our proposal:

A. Capacity price contingent on combustion turbine pricing. MEP hereby revises our December 22, 1998 letter, Answer 1 to Question 1. Combustion turbine pricing in our contract with MPS shall not exceed a $0.5 million/turbine increase over the quoted $32,000,000 price. Pricing of that equipment will therefore use the $32,000,000 price (including rail or truck freight from the factory but excluding taxes and the heavy haul from the rail siding to the plant), all as described in our December 22 letter, with any price adjustments to MPS for that scope capped at $0.5 million/turbine.

A. Commitments on In-Service Date. MEP will commit to a June 1, 2001 in-service date for the combustion turbines if MEP and MPS can agree on the dates for : (1) MPS award to MEP; (2) execution of the Power Purchase Agreement; (3) filing date by MPS for its request with the Missouri Public Service Commission for approval of the PPA, and (4) date for obtaining such approval;. If MEP fails to meet the June 1, 2001 date for reasons unrelated to items (1) through (4) above, MEP will pay MPS liquidated damages in the amount of $10,000/day, in addition to suspension of the capacity payment until simple cycle project completion, for the duration and to the extent (e.g., pro rata) simple cycle capacity is not provided to MPS.

C. Deadline for Corporate Approvals. Please be advised we have obtained Aquila Energy senior management approval for this transaction. Board of Directors approval is scheduled for February 4, 1999.

D. Heat Rate Guarantees. MEP offers to pass through to MPS the benefits of our negotiation with the OEM, less a degradation allowance. MEP will be able to offer definitive heat rate guarantees when we've locked in equipment supply from the selected manufacturer. We're talking about equipment coming off a very limited number of production lines, with very close heat rate curves from the major OEMs, so we don't see this as a substantive issue.

E. Reduction in Minimum Schedules taken by MPS. MEP is willing to consider lowering the minimum schedule taken by MPS, which we believe to have significant value to MPS. However, an initial review of the matter indicates there is a cost to MEP for allowing this flexibility, for which we'll need some offsetting compensation or value. We suggest a meeting to discuss this at your convenience. If we can make this work, it will require that MEP retain the right to supply power to MPS from off-system resources, in order to minimize the risk transferred from MPS to MEP.

   Additionally, MEP would enjoy discussing with you the opportunity to provide additional value to MPS by providing the Fixed Fuel Capacity Reservation and associated transportation required to support your schedule.

F. Reduction in capacity price. MEP hereby reduces its capacity price, for the term of the PPA and in addition to the reduction identified in Item I.C above associated with transmission system upgrades, by thirty cents per kilowatt-month ($0.30/kW-month).

Capacity pricing is therefore, including the transmission-related price adjustment identified above, as follows:

Term	Quantity	Capacity Price
June 1, 2001 through September 30, 2001	320 MW	$5.70/kW-month
January 1, 2002 through May 31, 2005	200 MW	$5.90/kW-month
April 1, 2002 through September 30, 2002	300 MW	$7.50/kW-month
April 1, 2003 through September 30, 2003	300 MW	$7.50/kW-month
April 1, 2004 through September 30, 2004	300 MW	$7.50/kW-month
April 1, 2005 through May 31, 2005	300 MW	$7.50/kW-month

In sum, our revised pricing reflects a $0.50/kW-month reduction across the board, including the $0.20/kW-month transmission price reduction described in Section I.C above.

Other issues can be negotiated when MEP is awarded the supply contract. We look forward to bringing the bidding process to a prompt conclusion. Should you have any questions, please do not hesitate to call.

Very truly yours,

Max Sherman

Max Sherman
Project Manager

January 20, 1999

Mr. Frank A. DeBacker
Missouri Public Service
10700 East 350 Highway
Kansas City, Missouri 64138

Subject: Proposed power supply contract for Missouri Public Service (MPS)

Dear Frank:

This letter acknowledges receipt of your letter of January 15, 1999, advising that Merchant Energy Partners' proposal has been selected as the preferred supply side resource, and also expressing the wish to enter into final contract negotiations as soon as MEP is prepared to do so.

Enclosed please find a Power Sales Agreement that we propose be the basis for final negotiations. Two versions are provided – a blackline comparison against the rough, unscrubbed draft provided December 24, 1998, and a clean version. Please be advised that certain appendices will need to be developed; I anticipate this to be a joint effort.

Per previous conversations, MEP proposes to start negotiations on January 25, 1999, in Raytown. Would you please advise, at your earliest convenience, if this date is acceptable.

Very truly yours,

Max Sherman
Project Manager

cc: V.J. Horgan
Steve Arnold
Joe Gocke
Rob Freeman
Dave Kreimer
Becky Sandring
John McKinney
Laurie Hamilton

SCHEDULE MS-5

PRICE CHANGE NOTIFICATION LETTER TO MPS

DUE TO

COST INCREASES AND DECREASES

SCHEDULE MS-5
HAS BEEN DEEMED
HIGHLY CONFIDENTIAL
IN ITS ENTIRETY

SCHEDULE MS-6

LIST OF DATA REQUEST RESPONSES

IN

AQUILA DATA ROOM

Data Request #	Description	Due Date
MPSC-81	Aries - for MPS & St Joe P&L, provide capacity charge, energy cost per MWh, gas purchase quantity & price	8/6/03
MPSC-104.1	Aries - Monthly production data from testing stage to current	9/26/03
MPSC-130.1	Aries - Generating unit outages	9/8/03
MPSC-231	Aries - Final construction costs, costs by unit 12/31/02, 6/30/03, 9/30/03, depreciation reserve 12/31/02, 6/30/03, 9/30/03, Op/Main costs by month 2001, 2002, 2003	9/17/03
MPSC-244	Aries - Purchase power contracts for Aries	9/26/03
MPSC-286	Aries - decision to enter into the current purchased power agreement	10/19/03
MPSC-287	Aries - decision to enter into the current purchased power agreement	10/19/03
MPSC-288	Aries - Monthly financials and/or operating reports MEPPH	10/4/03
MPSC-289	Aries - Budgets/forecasts 2003-2005, break our MPS contract	10/4/03
MPSC-290	Aries - Generation (MMBtu, MWh) by month, break out MPS, etc.	10/4/03
MPSC-291	Aries - Monthly reports tracking op statistics (starts, operations), access to daily generation logs	10/4/03
MPSC-292	Aries - Reference ER-2001-672-444 financing structure update	10/4/03
MPSC-293	Aries - Final costs, book value 12/31/02, 6/30/03, 9/30/03, depreciation expense/rate (cross reference MPSC-231)	10/4/03
MPSC-294	Aries - Date of initial construction, date in service	10/4/03
MPSC-295	Aries - Monthly lease payments to banks	10/4/03
MPSC-295.1	Aries - Amounts for loan payments on Aries	10/23/03
MPSC-295.2	Aries - financing negotiated by Aquila & Calpine	12/15/03
MPSC-296	Aries - Copies of leases	10/4/03
MPSC-297	Aries - Copies of all correspondence, notices, paperwork related to default	10/19/03
MPSC-298	Aries - September 12, 2003 meeting with Staff	10/9/03
MPSC-299	Aries - Power plant assets	10/4/03
MPSC-300	Aries - Decision to build Aries	10/4/03
MPSC-301	Aries - Decision to build Aries	10/4/03
MPSC-302	Aries - Decision to build Aries (co-assigned	10/4/03
MPSC-319	Aries - Decision to build Aries Reassigned to TFleener	10/5/03
MPSC-319.1	Aries - Amount Aquila would have to pay for Aries	10/23/03
MPSC-320	Aries - Decision to meet MPS's Missouri capacity requirements to serve its customers through a PPA	10/20/03
MPSC-321	Aries - why did MPS decide not to build and operate as a regulated plant	10/10/03

MPSC-322	Aries - why did MPS decide not to build and operate as a regulated plant	10/10/03
MPSC-323	Aries - reason partners allowed construction loan to go into default	10/20/03
MPSC-324	Aries - Tolling agreements and discussion	10/5/03
MPSC-324.1	Tolls - Reason and purpose for tolling agreements	10/23/03
MPSC-370	Aries - does Aquila's current financial condition affect ability to construct/acquire, own & maintain new generation to meet capacity	10/28/03
MPSC-371	Resource Plan - Annual forecasts electric power prices	10/23/03
MPSC-372	Resource Plan - provide yearly forecasts of future electric power prices utilized by Aquila and/or MPS, St. Joe P&L and/or any of Aquila's related divisions	10/28/03
MPSC-376	AMS - Generating units owned by Aquila that have been sold	10/23/03
MPSC-377	Aries - provide stranded investments studies & analyses	10/28/03
MPSC-379	*Generating Units Built by MPS - Regulated Entity*	10/28/03
MPSC-380	AMS - Generating units built by Aquila - Non-Regulated	10/23/03
MPSC-381	Aries - provide monthly invoices received by MPS related to the PPA	10/28/03
MPSC-382	Aries - Operating problems with Aries	10/23/03
MPSC-383	Aries - identify process related to procuring natural gas for Aries under PPA	10/28/03
MPSC-384	Aries - Natural gas pipeline for Aries	10/23/03
MPSC-385	AMS - Monthly gas volumes, total costs, unit gas prices	10/23/03
MPSC-386	Aries - Other capacity contracts with Aries	10/23/03
MPSC-496	Aries - Documents on sale of Aries to Calpine	11/27/03
MPSC-497	Aries - reasons for sale of Aries to Calpine	11/27/03
MPSC-498	Aries - substation land at Aries	11/27/03
MPSC-499	Aries - substation improvements at Aries unit	11/27/03
MPSC-504	Aries - depreciation rates	11/27/03
MPSC-505	Assessments of financial condition of bidders to RFP Process	11/27/03
MPSC-506	Assessments of financial condition of bidders to RFP Process	11/27/03
MPSC-507	Assessments of financial condition of Calpine	11/27/03
MPSC-508	Presentation made to UtiliCorp Officers for the EWG Proposal	11/27/03
MPSC-511	Missouri Public Service Build Option	11/27/03
MPSC-512	Factors considered in negotiating Purchased Power Contract	11/27/03
MPSC-513	Presentation made to UtiliCorp Officers for the EWG Proposal	11/27/03
MPSC-514	Negotiators for MPS	11/27/03
MPSC-515	Negotiators for Aries partners, Aquila Merchant and Calpine	11/27/03
MPSC-517	Speeches and presentations made by Aquila officers on electric restructuring	11/27/03
MPSC-548	Aries power plant - staff notes	11/27/03
MPSC-549	Aries power plant - staff notes	11/27/03

MPSC-553	Aries - construction loan agreement	11/27/03
MPSC-556	Aries - job descriptions	11/27/03
MPSC-557	Aries - individuals responsible for various decisions	11/27/03
MPSC-558	Aries - Aquila/Calpine partnership	11/27/03
MPSC-559	Aries - Aquila Merchant component of UtiliCorp	12/7/03
MPSC-560	Aries - Identify key events & key dates	12/7/03
MPSC-561	Aries - PILOT payable by MEPPH	12/7/03
MPSC-593	Turbines - 3 turbines owned by Aquila	12/16/03
MPSC-603	Board of Directors Minutes for Aquila Merchant	12/18/03
MPSC-604	Aries - Board minutes for MEP partners	12/18/03
MPSC-607	Aries - Support for the EWG Build Option	12/22/03
MPSC-639	Aries - Copies of reports by Independent Power Market Consult re Const Loan Agreement	01/08/04
MPSC-640	Aries - Copies of Bond Purchase Agreement & Cass County Development Agreement	01/08/04
MPSC-641	Aries - FERC orders accepting MPS toll & Order approving mkt based rates for EWG	01/08/04
MPSC-642	Aries - Copies of info pertaining to MPS' consideration to purchase Aries and CPN's consideration to purchase Aries	01/08/04
MPSC-646	Aries - Copies of contracts related to construction loan	01/17/04
MPSC-646.1	Aries - Copies of ILA guaranty support arrangements for Aries	01/17/04
MPSC-646.2	Aries - Copies of various contracts and agreements between MEPPH (Aries) & ILA.	01/17/04
MPSC-647	Aries - Meeting to arrange tariff rights & interconnection agreements	01/17/04
MPSC-655	Aries contracts	01/16/04
OPC-619	Natural gas hedges for non-regulated operating divisions	12/2/03

SCHEDULE MS-7

LOGS OF STAFF REVIEW OF DATA REQUEST RESPONSES

IN

AQUILA DATA ROOM

Time S‚ .it by MoPSC Staff on review of Data Request Responses -- Oct.ber 2003

DR#	Requestor	Responder	Date	Time Reviewed (minutes) Featherstone	Oligschlaeger	Total	Comments
81		McKinney	10/28 & 10/30	44	51	95	Both reviewed some items
104.1	Oligschlaeger	Morgan	10/28 & 10/30	6	14	20	
130.1	Featherstone	Boehm/Sherman	28-Oct	13	13	26	
231		Scheckel	10/28 & 10/30	194		194	
244	Featherstone	Morgan (?)	10/28 & 10/30	5	1	6	
286		Williams	10/28 & 10/30	4	1	5	
287		Williams	10/28 & 10/30	5	1	6	
288	Oligschlaeger	Sherman	10/28 & 10/30	2	1	3	
289	Oligschlaeger	Scheckel	10/28 & 10/29 & 10/30	246	192	438	Both reviewed some items
290	Oligschlaeger	Sherman	28-Oct		4	4	
291	Oligschlaeger	Sherman	10/28 & 10/29 & 10/30	14	59	73	Both reviewed some items
292	Oligschlaeger	Sandring	29-Oct		4	4	
293	Oligschlaeger	Scheckel	29-Oct		2	2	
294	Oligschlaeger	Sherman	29-Oct		1	1	
295 & 295.1	Oligschlaeger	Sandring	29-Oct		9	9	
296	Oligschlaeger	Sandring	10/29 & 10/30		48	48	
297	Oligschlaeger	Sheman	29-Oct		15	15	
298		Shumway	10/29 & 10/30		53	53	Nothing in file 10/29
299		McKinney	29-Oct		7	7	Both discussed; reviewed
300	Oligschlaeger	Sherman/DeBacker	29-Oct		1	1	
301	Oligschlaeger	Sherman	29-Oct		74	74	
302	Oligschlaeger	DeBacker	30-Oct		24	24	Both reviewed some items and discussed
319 & 319.1	Featherstone	Sandring	30-Oct		9	9	
320		DeBacker	30-Oct		1	1	
321		Williams	30-Oct		1	1	Time checked out under 1 minute
322		Williams	30-Oct		1	1	
323		Dobson	30-Oct		2	2	
324 & 324.1	Featherstone	Morgan/Sandring	30-Oct		13	13	
370	Featherstone	Stamm	30-Oct		6	6	
371	Featherstone	Sherman	30-Oct		6	6	
372	Featherstone	DeBacker	30-Oct		16	16	
376	Featherstone	Sherman	30-Oct		3	3	

377	Featherstone	McKinney	30-Oct		0	0	*Nothing in file when requested*
379	Featherstone	Hedrick	30-Oct		4	4	
380	Featherstone	Sherman	30-Oct		4	4	
381	Featherstone	*Hines*	30-Oct		5	5	
382	Featherstone	Sherman	30-Oct		2	2	
383	Featherstone	Browning	30-Oct		6	6	
384	Featherstone	Sherman	30-Oct		2	2	
385	Featherstone	Sherman	30-Oct		4	4	
386	Featherstone	Sherman	30-Oct		4	4	
					23	23	
For the period October 28-30, 2003:			Time (min)	533	683	1216	
			Time (hrs)	8.9	11.4	20.3	
Totals through Dec 19:			*Time (min)*	2921	1694	4615	
			Time (hrs)	48.7	28.2	76.9	

Time Spent by MoPSC Staff on review of Data Request Responses -- November 2003

DR#	Requestor	Responder	Date	Time Reviewed (minutes) Featherstone	Oligschlaeger	Total	Comments
81		McKinney	11-Nov				Photocopied to be given to Staff
104.1		Morgan	11-Nov				Photocopied to be given to Staff
130.1		Boehm/Sherman	11-Nov				Photocopied to be given to Staff
231	Featherstone	Scheckel	12-Nov	102		102	
244		Morgan (?)	11-Nov				Photocopied to be given to Staff
287	Oligschlaeger	Williams	12-Nov		17	17	
288		Sherman	11-Nov				Photocopied to be given to Staff
293		Scheckel	11-Nov				Photocopied to be given to Staff
295	Featherstone	Sandring	25-Nov	10		10	
295.1	Oligschlaeger	Sandring	13-Nov		7	7	Both reviewed and discussed
	Featherstone		25-Nov	10		10	
296	Oligschlaeger	Sandring	11/12 & 13		150	150	
297	Oligschlaeger	Sheman	13-Nov		31	31	
	Featherstone		25-Nov	115		115	
298	Oligschlaeger	Shumway	13-Nov		55	55	
	Featherstone		25-Nov	90		90	
299		McKinney	11-Nov				Photocopied to be given to Staff
300		Sherman/DeBacker	11-Nov				Photocopied to be given to Staff
301	Oligschlaeger	Sherman	20-Nov		80	80	
302		DeBacker	11-Nov				Photocopied to be given to Staff
319	Featherstone	Sandring	25-Nov	31		31	
319.1	Oligschlaeger	Sandring	13-Nov		4	4	
	Featherstone		25-Nov	15		15	
320	Featherstone	DeBacker	25-Nov	5			Photocopied 11/11 to be given to Staff
321		Williams	11-Nov				Photocopied to be given to Staff
322		Williams	11-Nov				Photocopied to be given to Staff
324	Oligschlaeger	Morgan/Sandring	20-Nov		80	80	
324.1	Oligschlaeger	Morgan/Sandring?	21-Nov		225		
370		Stamm	11-Nov				Photocopied to be given to Staff
371	Featherstone	Sherman	20-Nov	15		15	
372	Featherstone	DeBacker	20-Nov	10		10	
376	Featherstone	Sherman	20-Nov	20		20	File photocopied 12/2 for Staff
	Oligschlaeger		21-Nov		5	5	

377	Featherstone	McKinney	20-Nov	0		0	Nothing in file when requested
379	Featherstone	Hedrick	20-Nov	5			Photocopied 11/11 to be given to Staff
380	Featherstone	Sherman	20-Nov	85		85	
381		Hines	11-Nov				
383		Browning	11-Nov				Photocopied to be given to Staff
384	Oligschlaeger	Sherman	13-Nov				Photocopied to be given to Staff
	Featherstone		20-Nov	16	1	1	
385	Featherstone	Sherman	20-Nov	32		16	
386	Featherstone	Sherman	11/20 & 21	644		32	
						644	File photocopied 12/2 for Staff
For the period November 11-25, 2003:			Time (min)	1205	655	1625	
			Time (hrs)	20.1	10.9	27.1	

Time Spent by MoPSC Staff on review of Data Request Responses -- December 2003

DR#	Requestor	Responder	Date	Time Reviewed (minutes) Featherstone	Oligschlaeger	Total	Comments
298	Featherstone	Shumway	12/18 & 19	876		876	Met w/D. Williams extended time 12/19
377	Featherstone	McKinney	18-Dec	7		7	Nothing in file when requested
508	Oligschlaeger		18-Dec		1	1	
511	Oligschlaeger		18-Dec		5	5	
515	Oligschlaeger		18-Dec		14	14	
553	Oligschlaeger	Sherman	18-Dec		212	212	
			31-Dec	300		300	"Around five hours"
556	Oligschlaeger		18-Dec		13	13	
558	Oligschlaeger		18-Dec		86	86	
560	Oligschlaeger		18-Dec		17	17	
561	Oligschlaeger		18-Dec		8	8	
For the period December 18-31, 2003:			Time (min)	1183	356	1539	
			Time (hrs)	19.7	5.9	25.7	

DATA REQUEST CHECK-OUT LOG

DATE: October 28, 2003

NAME	DR#	CHECK-OUT TIME	RETURN TIME
CF and MO	0081 – both reviewed some items	3:08	3:52
MO	104.1	3:08	3:22
MO and CF	130.1	3:22	3:35
MO	231	3:35	4:05
CF	244	3:52	3:57
CF	286	3:57	4:01
CF	287	4:01	4:06
MO	288	4:05	4:06
CF both reviewed some items	289	4:06	5:03 – to resume on Wednesday
MO	290	4:06	4:10
MO both reviewed some items	291	4:10	5:00 – to resume on Wednesday

SIGN-IN LOG

DATE: October 28, 2003

CASE #: ER-2004-0034

NAME	TITLE	COMPANY	PHONE#/CONTACT
CF Cary Featherstone	Auditor	Missouri Public Service Commission	816.325.0101
MO Mark Oligschlaeger	Auditor	Missouri Public Service Commission	573.751.7443

DATA REQUEST CHECK-OUT LOG

DATE: October 29, 2003

NAME	DR#	CHECK-OUT TIME	RETURN TIME
CF some information reviewed by both	289	resume from 10-28-03 2:10	will resume on Thursday 5:05
MO	291	resume from 10-28-03 2:10	2:19
MO	292	2:19	2:23
MO	293	2:23	2:25
MO	294	2:25	2:26
MO	295 and 295.1	2:27	2:36
MO	296	2:36	3:17
MO	297	3:17	3:32
	298 - nothing in file		
MO both discussed, reviewed	299	3:33	3:40
MO	300	3:40	3:41
MO	301	3:42	4:56

SIGN-IN LOG

DATE: October 29, 2003

CASE #: ER-2004-0034

	NAME	TITLE	COMPANY	PHONE#/CONTACT
CF	Cary Featherstone	Auditer	Missouri Public Service Commission	816.325.0101
MO	Mark Oligschlaeger	Auditor	Missouri Public Service Commission	573.751.7443

DATA REQUEST CHECK-OUT LOG

DATE: 10·30·03 page 1

NAME	DR#	CHECK-OUT TIME	RETURN TIME
CF both ~~discussed~~ discussed and reviewed	289	resume from 10·29·03 9:16	12:25
MO	298	9:16	10:09
MO both reviewed some items and discussed	302	10:09	10:33
MO	319 + 319.1	10:34	10:43
MO	320	10:43	10:44
MO	321	10:44	10:44
MO	322	10:45	10:46
MO	323	10:46	10:48
MO	324 + 324.1	10:48	11:01
MO	370	11:02	11:08
MO	371	11:08	11:14
MO	372	11:14	11:30
MO	376	11:30	11:33

DATA REQUEST CHECK-OUT LOG

DATE: 10·30·03 page 2

NAME	DR#	CHECK-OUT TIME	RETURN TIME
MO	377	11:34 Nothing in file when requested	11:34
MO	379	11:35	11:39
MO	380	11:39	11:43
MO	381	11:43	11:48
MO	382	11:48	11:50
MO	383	11:50	11:56
MO	384	11:56	11:58
MO	385	11:58	12:02
MO	386	12:02	12:25
MO	81	1:46	1:53
MO	244	1:53	1:54
MO	286	1:54	1:55
MO	287	1:56	1:56

DATA REQUEST CHECK-OUT LOG

DATE: 10·30·03 page 3

NAME	DR#	CHECK-OUT TIME	RETURN TIME
mo	289	1:57	2:14
CF	288	1:57	1:59
CF	291	1:59	2:13
CF	104.1	2:13	2:19
CF	231	2:19	5:03
mo	296	2:15	2:22
Mr. Oligschlaeger left at 2:43 p.m.			

SIGN-IN LOG

DATE: 10·30·03

CASE #: ER-2004-0034

	NAME	TITLE	COMPANY	PHONE#/CONTACT
CF	Cary Featherstone	Auditor	Missouri Public Service Commission	816·325·0101
MO	Mark Oligschlaeger	Auditor	Missouri Public Service Commission	573·751·7443

DATA REQUEST CHECK-OUT LOG

DATE: November 11, 2003

NAME	DR#	CHECK-OUT TIME	RETURN TIME
Following files were photocopied			
by Shelley Thompson to be given			
to MPSC staff	81	370	
	104.1	379	
	130.1	381	
	288	383	
	293	244	
	299		
	300		
	302		
	320		
	321		
	322		

DATA REQUEST CHECK-OUT LOG

DATE: 11·12·03

NAME	DR#	CHECK-OUT TIME	RETURN TIME
CF	231	3:37	5:19
MO	288	3:42	3:59
MO	296	4:00	5:19

SIGN-IN LOG

DATE: 11·12·03

CASE #: ER-2004-0034

	NAME	TITLE	COMPANY	PHONE#/CONTACT
CF	Cary Featherstone	Auditor	Missouri Public Service Commission	816·325·0101
MO	Mark Oligschlaeger	Auditor	Missouri Public Service Commission	573·751·7443

DATA REQUEST CHECK-OUT LOG

DATE: 11-13-03

NAME	DR#	CHECK-OUT TIME	RETURN TIME
MO both discussed & reviewed	295.1	10:05	10:12
MO	296	10:12	11:23
MO	297	11:24	11:55
MO	298	11:55	12:37- lunch break 1:11 returned... 1:24
MO	319.1	1:25	1:29
MO	384	1:29	1:30
MO left	at 1:32 for a conference call		

SIGN-IN LOG

DATE: 11·13·03

CASE #: ER-2004-0034

	NAME	TITLE	COMPANY	PHONE#/CONTACT
CF	Cary Featherstone	Auditor	Missouri Public Service Commission	
MO	Mark Oligschlaeger	Auditor	Missouri Public Service Commission	

DATA REQUEST CHECK-OUT LOG

DATE: 1/20/03

(CF)

NAME	DR#	CHECK-OUT TIME	RETURN TIME
Carey Featherstone	380	10:30 am	11:55 a.m.
CF	371	11:55 a.m.	12:10
CF	372	12:10	12:20
CF	376	12:20	12:40
CF	Went to lunch	12:40	1:10
CF	379	1:10	1:15
CF	377 nothing in file DD requested again	1:15	1:15
CF	384	1:22	1:38
CF	385	1:38	2:10
CF	386	2:10	5:10
MO	301	2:30	3:50
MO	324	3:50	5:10

SIGN-IN LOG

DATE: ____________

CASE #: ER-2004-0034

NAME	TITLE	COMPANY	PHONE#/CONTACT
Cary G. Featherstone			

DATA REQUEST CHECK-OUT LOG

DATE: 11/21/03

NAME	DR#	CHECK-OUT TIME	RETURN TIME
Mark O	324.1	9:15am	1:00pm
Cary F	386	9:16am	5:00pm
MO	376	1:00pm	1:05pm

SIGN-IN LOG

DATE: 11/21/03

CASE #: ER-2004-0034

NAME	TITLE	COMPANY	PHONE#/CONTACT
Mark Oschl...		MO Comm	
Cary Featherstone		MO Comm	

DATA REQUEST CHECK-OUT LOG

DATE: 11/25/03

NAME	DR#	CHECK-OUT TIME	RETURN TIME
Cary Featherstone	319	10:44	11:15
" "	319.1	11:15	11:30
"	320	11:30	11:35
"	295	11:35	11:45
"	295.1	11:45	11:55
"	297	11:55	1:50
"	298	1:50	3:20
12.2.03			
Files for DR #376 and #386 photocopied by Shelley Thompson			

SIGN-IN LOG

DATE: 11/25/03

CASE #: ER-2004-0034

NAME	TITLE	COMPANY	PHONE#/CONTACT
Cary Featherstone		MO Commissioner	

DATA REQUES[illegible]CHECK-OUT LOG

DATE: 12.18.03

NAME	DR#	CHECK-OUT TIME	RETURN TIME
Cary	298	10:17 ~~10:10~~	5:02
Cary	377	10:10	10:17
Mark	515	10:50	11:04
Mark	55[illegible]	11:06	11:19
Mork	553	11:19	2:51
Mark	558	2:52	4:18
Mark	560	4:19	4:36
Mark	561	4:36	4:44
Mark	508	4:44	4:45
Mark	511	4:46	4:51

SIGN-IN LOG

DATE: 12·18·03

CASE #: ER-2004-0034

NAME	TITLE	COMPANY	PHONE#/CONTACT
Cary Featherstone		MPSC arrived @ 9:50 a.m.	
Mark Oligschlaeger		MPSC arrived @ 10:30 a.m.	

DATA REQUEST CHECK-OUT LOG

DATE: 12·19·03

NAME	DR#	CHECK-OUT TIME	RETURN TIME
Cary Featherstone	298	9:50	5:41
did not review	~~558~~	~~made available at 11:44~~	
	also met with Denny Williams for extended		
	period of time while reviewing the file		

SIGN-IN LOG

DATE: 12·19·03

CASE #: ER-2004-0034

NAME	TITLE	COMPANY	PHONE#/CONTACT
Cary Featherstone		MPSC	

SCHEDULE MS-8
SUMMARY OF ACTUAL COSTS
FOR
ARIES POWER PLANT

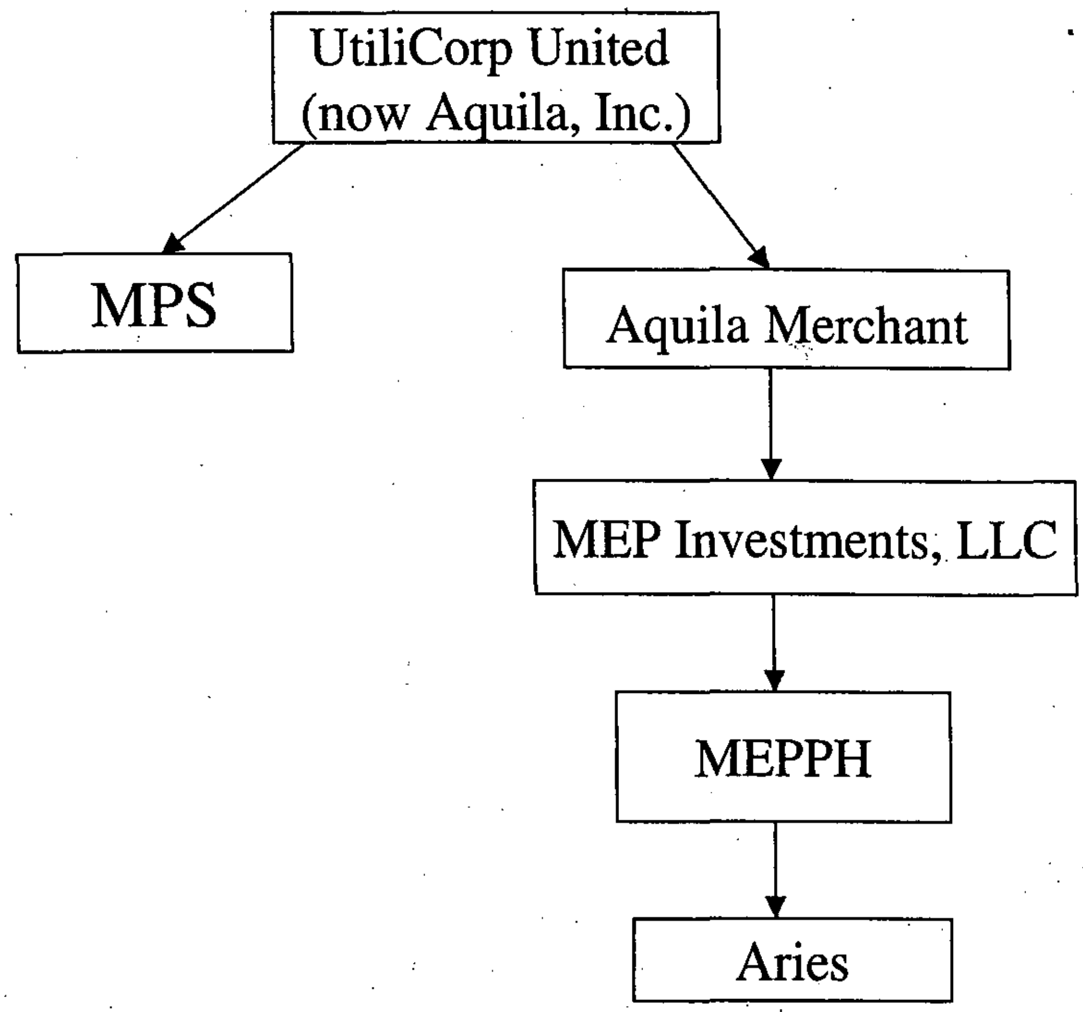
SCHEDULE MS-8
HAS BEEN DEEMED
HIGHLY CONFIDENTIAL
IN ITS ENTIRETY

SCHEDULE MS-9

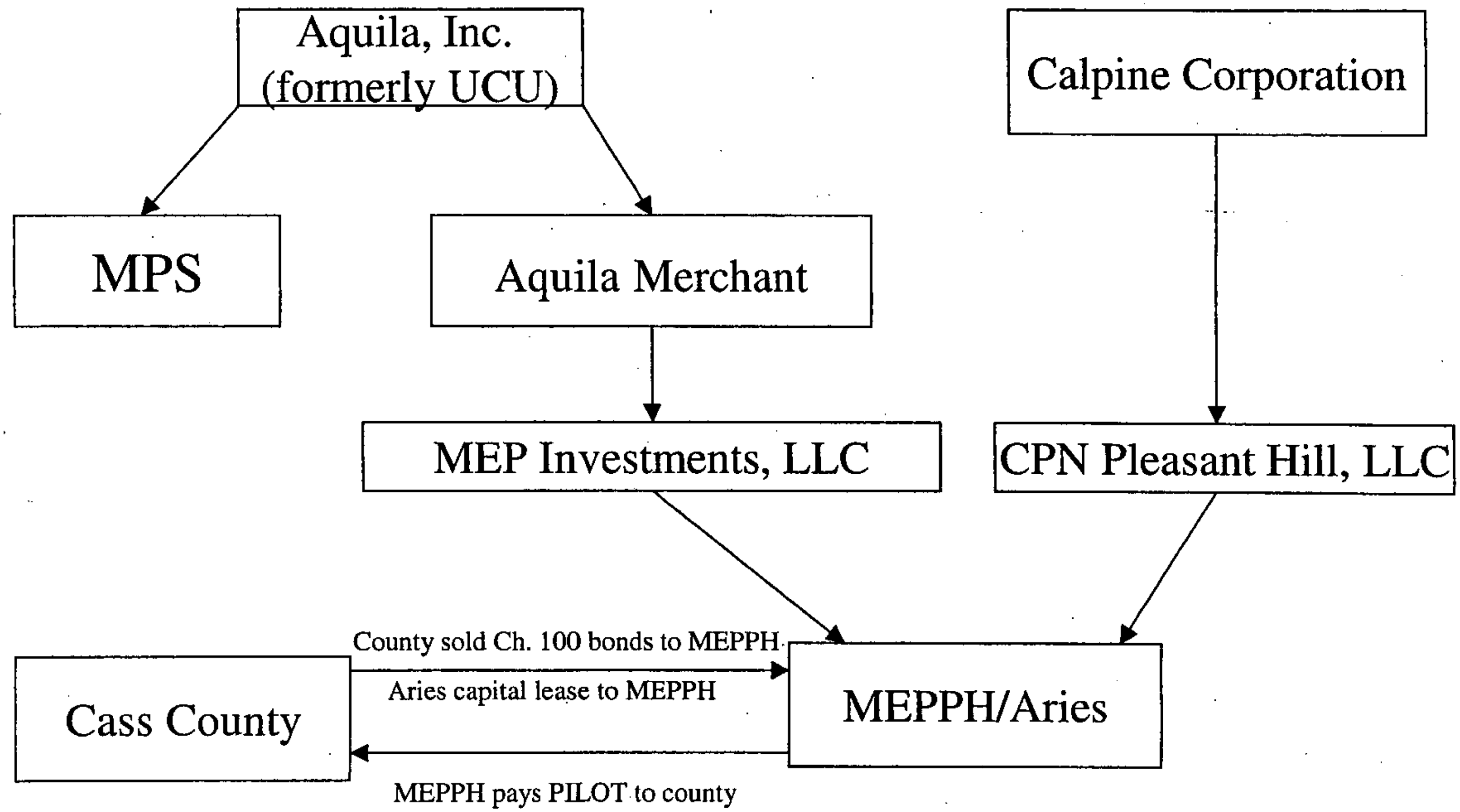
ARIES PROJECT STRUCTURE

(1999 AND PRESENT)

Aries Project Structure (1999)



Aries Project Structure (Present)



SCHEDULE MS-10

SOUTHWEST POWER POOL NON-COINCIDENT PEAK LOAD DATA FOR 2003

SPP Southwest Power Pool

Helping Our Members
Work Together To
Keep the Lights On..
Today and in the Future!

Non-coincidental Peak Load for 2003

Select the Year to View (default is the current year). 2003 Go

- About SPP
- Calendar of Events
- Committees
- Training
- SPP Operations
- RTO/Market Operations
- Regulatory/ FERC
- NERC Compliance
- Helpful Links

Need help? questions@spp.org

Subscribe to SPP Email Lists

SORTED BY PEAK LOAD		SORTED BY DATE	
38,321 MW	Thursday, August 21	20,544 MW	Wednesday, J
38,131 MW	Monday, August 18	23,163 MW	Thursday, Jan
38,070 MW	Tuesday, August 19	23,198 MW	Friday, Janua
37,855 MW	Wednesday, August 20	20,315 MW	Saturday, Jan
37,731 MW	Monday, August 25	19,759 MW	Sunday, Janu
37,353 MW	Friday, August 22	23,126 MW	Monday, Janu
37,240 MW	Friday, July 18	24,393 MW	Tuesday, Jan
36,976 MW	Tuesday, August 26	23,095 MW	Wednesday, J
36,693 MW	Wednesday, August 6	22,320 MW	Thursday, Jan
36,549 MW	Thursday, July 17	23,148 MW	Friday, Janua
36,520 MW	Wednesday, July 16	21,930 MW	Saturday, Jan
36,418 MW	Monday, July 14	22,051 MW	Sunday, Janu
36,381 MW	Tuesday, August 5	23,716 MW	Monday, Janu
36,377 MW	Tuesday, July 15	23,658 MW	Tuesday, Jan
35,666 MW	Monday, July 21	24,178 MW	Wednesday, J
35,618 MW	Monday, July 28	25,356 MW	Thursday, Jan
35,601 MW	Thursday, August 28	25,954 MW	Friday, Janua
35,540 MW	Friday, August 8	23,113 MW	Saturday, Jan
35,458 MW	Thursday, August 7	21,647 MW	Sunday, Janu
35,269 MW	Saturday, August 23	22,068 MW	Monday, Janu
35,107 MW	Wednesday, July 9	23,388 MW	Tuesday, Jan
34,973 MW	Tuesday, July 29	25,890 MW	Wednesday, J
34,777 MW	Thursday, July 31	27,461 MW	Thursday, Jan
34,765 MW	Sunday, August 24	27,503 MW	Friday, Janua
34,754 MW	Sunday, August 17	22,617 MW	Saturday, Jan
34,688 MW	Tuesday, June 24	22,691 MW	Sunday, Janu
34,578 MW	Monday, June 23	25,272 MW	Monday, Janu
34,544 MW	Friday, July 25	22,783 MW	Tuesday, Jan
34,441 MW	Thursday, July 3	22,922 MW	Wednesday, J

34,436 MW	Friday, August 15
34,278 MW	Saturday, July 26
34,149 MW	Sunday, July 27
34,100 MW	Sunday, July 20
34,083 MW	Friday, July 11
34,051 MW	Saturday, August 16
33,922 MW	Tuesday, July 8
33,867 MW	Monday, August 4
33,843 MW	Wednesday, July 2
33,759 MW	Thursday, July 10
33,561 MW	Friday, August 1
33,535 MW	Monday, July 7
33,446 MW	Saturday, July 19
33,140 MW	Wednesday, July 30
32,925 MW	Wednesday, June 25
32,873 MW	Thursday, July 24
32,420 MW	Saturday, August 9
32,326 MW	Tuesday, July 22
32,255 MW	Wednesday, August 27
32,055 MW	Thursday, August 14
31,961 MW	Monday, August 11
31,848 MW	Saturday, July 12
31,771 MW	Sunday, July 13
31,761 MW	Tuesday, August 12
31,720 MW	Wednesday, July 23
31,616 MW	Friday, May 30
31,504 MW	Tuesday, July 1
31,483 MW	Saturday, August 2
31,410 MW	Sunday, August 10
31,154 MW	Wednesday, September 10
31,057 MW	Friday, July 4
30,656 MW	Saturday, July 5
30,600 MW	Wednesday, August 13
30,532 MW	Sunday, July 6
30,516 MW	Sunday, August 3
30,202 MW	Thursday, June 19
30,170 MW	Tuesday, September 9
30,093 MW	Friday, August 29

23,665 MW	Thursday, Jan
21,881 MW	Friday, Januar
19,847 MW	Saturday, Feb
18,434 MW	Sunday, Febru
22,699 MW	Monday, Febr
23,741 MW	Tuesday, Feb
24,394 MW	Wednesday, F
25,350 MW	Thursday, Feb
25,997 MW	Friday, Februa
23,217 MW	Saturday, Feb
22,361 MW	Sunday, Febru
23,655 MW	Monday, Febr
23,509 MW	Tuesday, Feb
22,241 MW	Wednesday, F
21,568 MW	Thursday, Feb
20,975 MW	Friday, Februa
21,316 MW	Saturday, Feb
21,872 MW	Sunday, Febru
24,075 MW	Monday, Febr
22,955 MW	Tuesday, Feb
21,718 MW	Wednesday, F
22,180 MW	Thursday, Feb
21,401 MW	Friday, Februa
20,712 MW	Saturday, Feb
22,455 MW	Sunday, Febru
25,871 MW	Monday, Febr
26,022 MW	Tuesday, Feb
24,916 MW	Wednesday, F
24,505 MW	Thursday, Feb
23,220 MW	Friday, Februa
21,132 MW	Saturday, Mar
21,088 MW	Sunday, Marc
23,103 MW	Monday, Marc
23,086 MW	Tuesday, Mar
24,291 MW	Wednesday, M
24,322 MW	Thursday, Ma
22,194 MW	Friday, March
19,359 MW	Saturday, Mar

29,930 MW	Monday, June 30
29,793 MW	Wednesday, June 18
29,328 MW	Wednesday, June 11
29,196 MW	Tuesday, June 10
29,153 MW	Tuesday, June 17
29,063 MW	Monday, June 16
28,993 MW	Thursday, May 29
28,968 MW	Thursday, September 4
28,909 MW	Wednesday, September 3
28,839 MW	Friday, June 20
28,823 MW	Sunday, June 22
28,709 MW	Wednesday, September 17
28,359 MW	Friday, June 13
28,248 MW	Friday, September 5
28,104 MW	Saturday, June 28
28,000 MW	Monday, September 8
27,602 MW	Sunday, June 29
27,503 MW	Friday, January 24
27,496 MW	Friday, June 27
27,461 MW	Thursday, January 23
27,372 MW	Monday, June 9
27,180 MW	Thursday, June 12
27,161 MW	Wednesday, May 28
26,945 MW	Wednesday, September 24
26,864 MW	Saturday, June 21
26,684 MW	Tuesday, September 2
26,678 MW	Tuesday, September 16
26,650 MW	Friday, May 9
26,478 MW	Thursday, May 8
26,380 MW	Monday, May 19
26,379 MW	Friday, September 26
26,265 MW	Saturday, September 6
26,235 MW	Thursday, September 11
26,022 MW	Tuesday, February 25
25,997 MW	Friday, February 7
25,957 MW	Saturday, June 14
25,954 MW	Friday, January 17
25,890 MW	Wednesday, January 22

20,795 MW	Sunday, March 9
22,632 MW	Monday, March 10
21,992 MW	Tuesday, March 11
20,858 MW	Wednesday, March 12
20,555 MW	Thursday, March 13
20,332 MW	Friday, March 14
18,301 MW	Saturday, March 15
18,409 MW	Sunday, March 16
20,231 MW	Monday, March 17
20,435 MW	Tuesday, March 18
20,471 MW	Wednesday, March 19
21,100 MW	Thursday, March 20
20,087 MW	Friday, March 21
18,307 MW	Saturday, March 22
18,490 MW	Sunday, March 23
20,690 MW	Monday, March 24
20,388 MW	Tuesday, March 25
20,458 MW	Wednesday, March 26
20,656 MW	Thursday, March 27
21,061 MW	Friday, March 28
19,714 MW	Saturday, March 29
19,240 MW	Sunday, March 30
21,168 MW	Monday, March 31
20,577 MW	Tuesday, April 1
21,486 MW	Wednesday, April 2
21,254 MW	Thursday, April 3
20,330 MW	Friday, April 4
18,781 MW	Saturday, April 5
19,196 MW	Sunday, April 6
20,975 MW	Monday, April 7
21,827 MW	Tuesday, April 8
22,460 MW	Wednesday, April 9
21,908 MW	Thursday, April 10
20,570 MW	Friday, April 11
19,052 MW	Saturday, April 12
20,136 MW	Sunday, April 13
23,140 MW	Monday, April 14
22,319 MW	Tuesday, April 15

25,871 MW	Monday, February 24
25,655 MW	Thursday, June 26
25,613 MW	Tuesday, September 23
25,583 MW	Monday, May 5
25,577 MW	Monday, June 2
25,547 MW	Sunday, June 15
25,543 MW	Sunday, September 7
25,493 MW	Thursday, December 11
25,473 MW	Tuesday, May 6
25,468 MW	Thursday, May 15
25,406 MW	Wednesday, April 30
25,385 MW	Wednesday, May 7
25,376 MW	Wednesday, May 14
25,356 MW	Thursday, January 16
25,350 MW	Thursday, February 6
25,272 MW	Monday, January 27
25,125 MW	Wednesday, December 10
25,104 MW	Friday, December 12
25,084 MW	Wednesday, December 17
25,059 MW	Monday, September 15
24,916 MW	Wednesday, February 26
24,855 MW	Saturday, August 30
24,790 MW	Thursday, September 25
24,701 MW	Tuesday, December 16
24,644 MW	Thursday, October 23
24,569 MW	Friday, May 23
24,555 MW	Monday, October 20
24,505 MW	Thursday, February 27
24,492 MW	Wednesday, October 22
24,452 MW	Monday, September 22
24,442 MW	Tuesday, May 27
24,416 MW	Tuesday, October 21
24,394 MW	Wednesday, February 5
24,393 MW	Tuesday, January 7
24,381 MW	Tuesday, June 3
24,340 MW	Thursday, September 18
24,322 MW	Thursday, March 6
24,319 MW	Saturday, May 31

20,843 MW	Wednesday, April 16
20,885 MW	Thursday, April 17
21,040 MW	Friday, April 18
19,303 MW	Saturday, April 19
18,790 MW	Sunday, April 20
20,995 MW	Monday, April 21
21,100 MW	Tuesday, April 22
20,708 MW	Wednesday, April 23
21,677 MW	Thursday, April 24
21,174 MW	Friday, April 25
19,247 MW	Saturday, April 26
20,769 MW	Sunday, April 27
23,343 MW	Monday, April 28
24,207 MW	Tuesday, April 29
25,406 MW	Wednesday, April 30
23,821 MW	Thursday, May 1
22,601 MW	Friday, May 2
21,180 MW	Saturday, May 3
21,718 MW	Sunday, May 4
25,583 MW	Monday, May 5
25,473 MW	Tuesday, May 6
25,385 MW	Wednesday, May 7
26,478 MW	Thursday, May 8
26,650 MW	Friday, May 9
23,786 MW	Saturday, May 10
20,124 MW	Sunday, May 11
23,638 MW	Monday, May 12
23,663 MW	Tuesday, May 13
25,376 MW	Wednesday, May 14
25,468 MW	Thursday, May 15
24,034 MW	Friday, May 16
20,867 MW	Saturday, May 17
23,165 MW	Sunday, May 18
26,380 MW	Monday, May 19
21,690 MW	Tuesday, May 20
21,674 MW	Wednesday, May 21
23,155 MW	Thursday, May 22
24,569 MW	Friday, May 23

24,291 MW	Wednesday, March 5
24,229 MW	Tuesday, December 9
24,207 MW	Tuesday, April 29
24,178 MW	Wednesday, January 15
24,075 MW	Monday, February 17
24,056 MW	Friday, December 19
24,034 MW	Friday, May 16
24,003 MW	Thursday, December 18
23,821 MW	Thursday, May 1
23,786 MW	Saturday, May 10
23,751 MW	Friday, October 24
23,750 MW	Friday, December 5
23,741 MW	Tuesday, February 4
23,716 MW	Monday, January 13
23,704 MW	Sunday, June 1
23,665 MW	Thursday, January 30
23,663 MW	Tuesday, May 13
23,658 MW	Tuesday, January 14
23,655 MW	Monday, February 10
23,638 MW	Monday, May 12
23,610 MW	Monday, December 15
23,605 MW	Saturday, December 13
23,531 MW	Friday, September 12
23,509 MW	Tuesday, February 11
23,388 MW	Tuesday, January 21
23,348 MW	Tuesday, November 25
23,343 MW	Monday, April 28
23,329 MW	Friday, June 6
23,301 MW	Wednesday, December 3
23,273 MW	Thursday, December 4
23,262 MW	Thursday, June 5
23,239 MW	Thursday, October 9
23,220 MW	Friday, February 28
23,217 MW	Saturday, February 8
23,198 MW	Friday, January 3
23,198 MW	Tuesday, December 2
23,175 MW	Tuesday, October 7
23,165 MW	Sunday, May 18

22,436 MW	Saturday, May 24
19,668 MW	Sunday, May 25
21,115 MW	Monday, May 26
24,442 MW	Tuesday, May 27
27,161 MW	Wednesday, May 28
28,993 MW	Thursday, May 29
31,616 MW	Friday, May 30
24,319 MW	Saturday, May 31
23,704 MW	Sunday, June 1
25,577 MW	Monday, June 2
24,381 MW	Tuesday, June 3
22,781 MW	Wednesday, June 4
23,262 MW	Thursday, June 5
23,329 MW	Friday, June 6
22,114 MW	Saturday, June 7
21,830 MW	Sunday, June 8
27,372 MW	Monday, June 9
29,196 MW	Tuesday, June 10
29,328 MW	Wednesday, June 11
27,180 MW	Thursday, June 12
28,359 MW	Friday, June 13
25,957 MW	Saturday, June 14
25,547 MW	Sunday, June 15
29,063 MW	Monday, June 16
29,153 MW	Tuesday, June 17
29,793 MW	Wednesday, June 18
30,202 MW	Thursday, June 19
28,839 MW	Friday, June 20
26,864 MW	Saturday, June 21
28,823 MW	Sunday, June 22
34,578 MW	Monday, June 23
34,688 MW	Tuesday, June 24
32,925 MW	Wednesday, June 25
25,655 MW	Thursday, June 26
27,496 MW	Friday, June 27
28,104 MW	Saturday, June 28
27,602 MW	Sunday, June 29
29,930 MW	Monday, June 30

SCHEDULE MS-10

23,163 MW	Thursday, January 2
23,155 MW	Thursday, May 22
23,148 MW	Friday, January 10
23,140 MW	Monday, April 14
23,126 MW	Monday, January 6
23,113 MW	Saturday, January 18
23,103 MW	Monday, March 3
23,095 MW	Wednesday, January 8
23,086 MW	Tuesday, March 4
23,063 MW	Wednesday, October 8
23,023 MW	Tuesday, December 23
22,955 MW	Tuesday, February 18
22,924 MW	Sunday, December 14
22,922 MW	Wednesday, January 29
22,915 MW	Wednesday, November 5
22,825 MW	Monday, November 24
22,789 MW	Monday, November 3
22,783 MW	Tuesday, January 28
22,781 MW	Wednesday, June 4
22,768 MW	Thursday, November 6
22,737 MW	Sunday, August 31
22,700 MW	Tuesday, December 30
22,699 MW	Monday, February 3
22,691 MW	Sunday, January 26
22,678 MW	Friday, October 10
22,662 MW	Friday, September 19
22,639 MW	Monday, October 13
22,632 MW	Monday, March 10
22,622 MW	Monday, December 29
22,617 MW	Saturday, January 25
22,602 MW	Monday, December 8
22,601 MW	Friday, May 2
22,539 MW	Monday, December 22
22,505 MW	Monday, September 1
22,460 MW	Wednesday, April 9
22,455 MW	Sunday, February 23
22,436 MW	Saturday, May 24
22,435 MW	Monday, October 6
31,504 MW	Tuesday, July 1
33,843 MW	Wednesday, July 2
34,441 MW	Thursday, July 3
31,057 MW	Friday, July 4
30,656 MW	Saturday, July 5
30,532 MW	Sunday, July 6
33,535 MW	Monday, July 7
33,922 MW	Tuesday, July 8
35,107 MW	Wednesday, July 9
33,759 MW	Thursday, July 10
34,083 MW	Friday, July 11
31,848 MW	Saturday, July 12
31,771 MW	Sunday, July 13
36,418 MW	Monday, July 14
36,377 MW	Tuesday, July 15
36,520 MW	Wednesday, July 16
36,549 MW	Thursday, July 17
37,240 MW	Friday, July 18
33,446 MW	Saturday, July 19
34,100 MW	Sunday, July 20
35,666 MW	Monday, July 21
32,326 MW	Tuesday, July 22
31,720 MW	Wednesday, July 23
32,873 MW	Thursday, July 24
34,544 MW	Friday, July 25
34,278 MW	Saturday, July 26
34,149 MW	Sunday, July 27
35,618 MW	Monday, July 28
34,973 MW	Tuesday, July 29
33,140 MW	Wednesday, July 30
34,777 MW	Thursday, July 31
33,561 MW	Friday, August 1
31,483 MW	Saturday, August 2
30,516 MW	Sunday, August 3
33,867 MW	Monday, August 4
36,381 MW	Tuesday, August 5
36,693 MW	Wednesday, August 6
35,458 MW	Thursday, August 7

22,361 MW	Sunday, February 9
22,330 MW	Saturday, December 6
22,320 MW	Thursday, January 9
22,319 MW	Tuesday, April 15
22,241 MW	Wednesday, February 12
22,197 MW	Thursday, October 30
22,194 MW	Friday, March 7
22,180 MW	Thursday, February 20
22,160 MW	Saturday, December 20
22,138 MW	Wednesday, November 12
22,114 MW	Saturday, June 7
22,068 MW	Monday, January 20
22,051 MW	Sunday, January 12
21,992 MW	Tuesday, March 11
21,965 MW	Monday, December 1
21,941 MW	Sunday, November 23
21,934 MW	Thursday, November 13
21,930 MW	Saturday, January 11
21,908 MW	Thursday, April 10
21,892 MW	Wednesday, December 24
21,881 MW	Friday, January 31
21,872 MW	Sunday, February 16
21,872 MW	Tuesday, November 4
21,860 MW	Friday, November 7
21,830 MW	Sunday, June 8
21,827 MW	Tuesday, April 8
21,814 MW	Tuesday, November 11
21,796 MW	Tuesday, October 14
21,783 MW	Saturday, September 27
21,718 MW	Sunday, May 4
21,718 MW	Wednesday, February 19
21,710 MW	Saturday, September 13
21,690 MW	Tuesday, May 20
21,677 MW	Thursday, April 24
21,674 MW	Wednesday, May 21
21,667 MW	Tuesday, November 18
21,647 MW	Sunday, January 19
21,644 MW	Wednesday, November 26
35,540 MW	Friday, August 8
32,420 MW	Saturday, August 9
31,410 MW	Sunday, August 10
31,961 MW	Monday, August 11
31,761 MW	Tuesday, August 12
30,600 MW	Wednesday, August 13
32,055 MW	Thursday, August 14
34,436 MW	Friday, August 15
34,051 MW	Saturday, August 16
34,754 MW	Sunday, August 17
38,131 MW	Monday, August 18
38,070 MW	Tuesday, August 19
37,855 MW	Wednesday, August 20
38,321 MW	Thursday, August 21
37,353 MW	Friday, August 22
35,269 MW	Saturday, August 23
34,765 MW	Sunday, August 24
37,731 MW	Monday, August 25
36,976 MW	Tuesday, August 26
32,255 MW	Wednesday, August 27
35,601 MW	Thursday, August 28
30,093 MW	Friday, August 29
24,855 MW	Saturday, August 30
22,737 MW	Sunday, August 31
22,505 MW	Monday, September 1
26,684 MW	Tuesday, September 2
28,909 MW	Wednesday, September 3
28,968 MW	Thursday, September 4
28,248 MW	Friday, September 5
26,265 MW	Saturday, September 6
25,543 MW	Sunday, September 7
28,000 MW	Monday, September 8
30,170 MW	Tuesday, September 9
31,154 MW	Wednesday, September 10
26,235 MW	Thursday, September 11
23,531 MW	Friday, September 12
21,710 MW	Saturday, September 13
21,577 MW	Sunday, September 14

21,626 MW	Sunday, December 7
21,593 MW	Monday, November 17
21,592 MW	Thursday, October 16
21,585 MW	Wednesday, October 15
21,577 MW	Sunday, September 14
21,575 MW	Friday, November 14
21,568 MW	Thursday, February 13
21,492 MW	Monday, November 10
21,486 MW	Wednesday, April 2
21,433 MW	Wednesday, October 29
21,424 MW	Friday, October 31
21,401 MW	Friday, February 21
21,377 MW	Tuesday, September 30
21,368 MW	Sunday, September 21
21,316 MW	Saturday, February 15
21,313 MW	Wednesday, December 31
21,254 MW	Thursday, April 3
21,223 MW	Monday, September 29
21,214 MW	Wednesday, November 19
21,211 MW	Monday, October 27
21,180 MW	Saturday, May 3
21,174 MW	Friday, April 25
21,168 MW	Monday, March 31
21,165 MW	Thursday, November 20
21,144 MW	Saturday, September 20
21,132 MW	Saturday, March 1
21,115 MW	Monday, May 26
21,100 MW	Tuesday, April 22
21,100 MW	Thursday, March 20
21,088 MW	Sunday, March 2
21,061 MW	Friday, March 28
21,040 MW	Friday, April 18
20,995 MW	Monday, April 21
20,990 MW	Friday, October 3
20,975 MW	Tuesday, October 28
20,975 MW	Friday, February 14
20,975 MW	Monday, April 7
20,966 MW	Wednesday, October 1

25,059 MW	Monday, September 15
26,678 MW	Tuesday, September 16
28,709 MW	Wednesday, September 17
24,340 MW	Thursday, September 18
22,662 MW	Friday, September 19
21,144 MW	Saturday, September 20
21,368 MW	Sunday, September 21
24,452 MW	Monday, September 22
25,613 MW	Tuesday, September 23
26,945 MW	Wednesday, September 24
24,790 MW	Thursday, September 25
26,379 MW	Friday, September 26
21,783 MW	Saturday, September 27
19,747 MW	Sunday, September 28
21,223 MW	Monday, September 29
21,377 MW	Tuesday, September 30
20,966 MW	Wednesday, October 1
20,561 MW	Thursday, October 2
20,990 MW	Friday, October 3
19,486 MW	Saturday, October 4
19,913 MW	Sunday, October 5
22,435 MW	Monday, October 6
23,175 MW	Tuesday, October 7
23,063 MW	Wednesday, October 8
23,239 MW	Thursday, October 9
22,678 MW	Friday, October 10
20,094 MW	Saturday, October 11
20,147 MW	Sunday, October 12
22,639 MW	Monday, October 13
21,796 MW	Tuesday, October 14
21,585 MW	Wednesday, October 15
21,592 MW	Thursday, October 16
20,654 MW	Friday, October 17
19,441 MW	Saturday, October 18
20,908 MW	Sunday, October 19
24,555 MW	Monday, October 20
24,416 MW	Tuesday, October 21
24,492 MW	Wednesday, October 22

20,910 MW	Sunday, December 21
20,908 MW	Sunday, October 19
20,885 MW	Thursday, April 17
20,867 MW	Saturday, May 17
20,858 MW	Wednesday, March 12
20,843 MW	Wednesday, April 16
20,795 MW	Sunday, March 9
20,769 MW	Sunday, April 27
20,731 MW	Friday, November 21
20,712 MW	Saturday, February 22
20,708 MW	Wednesday, April 23
20,699 MW	Friday, November 28
20,690 MW	Monday, March 24
20,656 MW	Thursday, March 27
20,654 MW	Friday, October 17
20,577 MW	Tuesday, April 1
20,570 MW	Friday, April 11
20,562 MW	Sunday, December 28
20,561 MW	Thursday, October 2
20,555 MW	Thursday, March 13
20,544 MW	Wednesday, January 1
20,471 MW	Wednesday, March 19
20,458 MW	Wednesday, March 26
20,435 MW	Tuesday, March 18
20,433 MW	Friday, December 26
20,388 MW	Tuesday, March 25
20,335 MW	Sunday, November 2
20,332 MW	Friday, March 14
20,330 MW	Friday, April 4
20,321 MW	Saturday, November 29
20,315 MW	Saturday, January 4
20,282 MW	Saturday, November 8
20,231 MW	Monday, March 17
20,147 MW	Sunday, October 12
20,136 MW	Sunday, April 13
20,124 MW	Sunday, May 11
20,094 MW	Saturday, October 11
20,087 MW	Friday, March 21

24,644 MW	Thursday, October 23
23,751 MW	Friday, October 24
19,192 MW	Saturday, October 25
18,927 MW	Sunday, October 26
21,211 MW	Monday, October 27
20,975 MW	Tuesday, October 28
21,433 MW	Wednesday, October 29
22,197 MW	Thursday, October 30
21,424 MW	Friday, October 31
19,782 MW	Saturday, November 1
20,335 MW	Sunday, November 2
22,789 MW	Monday, November 3
21,872 MW	Tuesday, November 4
22,915 MW	Wednesday, November 5
22,768 MW	Thursday, November 6
21,860 MW	Friday, November 7
20,282 MW	Saturday, November 8
19,856 MW	Sunday, November 9
21,492 MW	Monday, November 10
21,814 MW	Tuesday, November 11
22,138 MW	Wednesday, November 12
21,934 MW	Thursday, November 13
21,575 MW	Friday, November 14
19,562 MW	Saturday, November 15
19,407 MW	Sunday, November 16
21,593 MW	Monday, November 17
21,667 MW	Tuesday, November 18
21,214 MW	Wednesday, November 19
21,165 MW	Thursday, November 20
20,731 MW	Friday, November 21
19,865 MW	Saturday, November 22
21,941 MW	Sunday, November 23
22,825 MW	Monday, November 24
23,348 MW	Tuesday, November 25
21,644 MW	Wednesday, November 26
19,389 MW	Thursday, November 27
20,699 MW	Friday, November 28
20,321 MW	Saturday, November 29

19,913 MW	Sunday, October 5
19,871 MW	Sunday, November 30
19,865 MW	Saturday, November 22
19,856 MW	Sunday, November 9
19,847 MW	Saturday, February 1
19,782 MW	Saturday, November 1
19,759 MW	Sunday, January 5
19,747 MW	Sunday, September 28
19,714 MW	Saturday, March 29
19,668 MW	Sunday, May 25
19,562 MW	Saturday, November 15
19,496 MW	Saturday, December 27
19,486 MW	Saturday, October 4
19,441 MW	Saturday, October 18
19,407 MW	Sunday, November 16
19,389 MW	Thursday, November 27
19,359 MW	Saturday, March 8
19,337 MW	Thursday, December 25
19,303 MW	Saturday, April 19
19,247 MW	Saturday, April 26
19,240 MW	Sunday, March 30
19,196 MW	Sunday, April 6
19,192 MW	Saturday, October 25
19,052 MW	Saturday, April 12
18,927 MW	Sunday, October 26
18,790 MW	Sunday, April 20
18,781 MW	Saturday, April 5
18,490 MW	Sunday, March 23
18,434 MW	Sunday, February 2
18,409 MW	Sunday, March 16
18,307 MW	Saturday, March 22
18,301 MW	Saturday, March 15

19,871 MW	Sunday, November 30
21,965 MW	Monday, December 1
23,198 MW	Tuesday, December 2
23,301 MW	Wednesday, December 3
23,273 MW	Thursday, December 4
23,750 MW	Friday, December 5
22,330 MW	Saturday, December 6
21,626 MW	Sunday, December 7
22,602 MW	Monday, December 8
24,229 MW	Tuesday, December 9
25,125 MW	Wednesday, December 10
25,493 MW	Thursday, December 11
25,104 MW	Friday, December 12
23,605 MW	Saturday, December 13
22,924 MW	Sunday, December 14
23,610 MW	Monday, December 15
24,701 MW	Tuesday, December 16
25,084 MW	Wednesday, December 17
24,003 MW	Thursday, December 18
24,056 MW	Friday, December 19
22,160 MW	Saturday, December 20
20,910 MW	Sunday, December 21
22,539 MW	Monday, December 22
23,023 MW	Tuesday, December 23
21,892 MW	Wednesday, December 24
19,337 MW	Thursday, December 25
20,433 MW	Friday, December 26
19,496 MW	Saturday, December 27
20,562 MW	Sunday, December 28
22,622 MW	Monday, December 29
22,700 MW	Tuesday, December 30
21,313 MW	Wednesday, December 31

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BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the matter of Aquila, Inc. d/b/a Aquila Networks-MPS and Aquila Networks-L&P, for authority to file tariffs increasing electric rates for the service provided to customers in the Aquila Networks-MPS and Aquila Networks-L&P area	)	Case No. ER-________
In the matter of Aquila, Inc. d/b/a Aquila Networks-L&P, for authority to file tariffs Increasing steam rates for the service provided To customers in the Aquila Networks-L&P area	)	Case No. HR-________

County of Jackson)
) ss
State of Missouri)

AFFIDAVIT OF MAX A. SHERMAN

Max A. Sherman, being first duly sworn, deposes and says that he is the witness who sponsors the accompanying testimony entitled "Rebuttal Testimony of Max A. Sherman;" that said testimony was prepared by him and under his direction and supervision; that if inquiries were made as to the facts in said testimony and schedules, he would respond as therein set forth; and that the aforesaid testimony and schedules are true and correct to the best of his knowledge, information, and belief.

Max A. Sherman
Max A. Sherman

Subscribed and sworn to before me this 26th day of January, 2004.

Terry D. Lutes
Notary Public
Terry D. Lutes

My Commission expires:

8-20-2004

TERRY D. LUTES
Jackson County
My Commission Expires
August 20, 2004