Summary of the Economic Development Agreement
Between Aquila and the City of Peculiar, Missouri

Aquila and the City are negotiating an Economic Development Agreement (the "Agreement") for a sale-leaseback financing that is expected to close by December 31, 2004. The Agreement contemplates: (a) Aquila selling to the City the land and equipment then owned by Aquila in connection with a 315 MW generating facility and related transmission facilities (the "Project") being constructed by Aquila just south of the City; (b) the City leasing the Project back to Aquila for a period not to exceed 30 years from the Project's commercial operation date; and (c) the issuance of revenue bonds by the City to finance the acquisition, construction and development costs of the Project. The Project will provide electric power to Aquila's Missouri Public Service and St. Joseph Light & Power customers. The lease payments will be structured to facilitate payment on the bonds outstanding, noting that the lease payments and the bond payments are equal in amount. Aquila will be the initial purchaser of the bonds, and Aquila may relinquish bonds in lieu of cash for lease payments.

This tax-abated financing will be effected through (a) a trust indenture, pursuant to which the City will issue the Chapter 100 revenue bonds; (b) a lease agreement, pursuant to which the City will lease the Project to Aquila; (c) the Agreement, pursuant to which Aquila will make payment-in-lieu-of-taxes (or, PILOT) payments to the City while it owns the Project, and (d) a deed of trust, pursuant to which the City will encumber the project as security for the Chapter 100 revenue bonds and the PILOT payments to the City. Aquila intends to enter into all agreements contemporaneously after the City approves the Agreement and the Chapter 100 financing in general. The City and a trustee will be parties to the trust indenture and the City will grant the deed of trust to secure the payments under the trust indenture and the Agreement.

Other key terms of the Agreement include:

- Project Unwinding: Aquila may redeem the revenue bonds (and, therefore, "unwind" the sale-leaseback financing) if the Commission does not approve the Project;

- Issuance Costs: Aquila will pay the fees, costs and expenses of bond counsel ($100,000 estimate) and the City's financial advisor ($130,000) when the bonds are issued. Aquila will also pay the City an issuance fee of $700,000 when the bonds are issued, provided the City will return $630,000 to Aquila if the City doesn't own the Project on December 31, 2005;

- Tax Exemption: so long as the City owns the Project, it will be exempt from property taxes levied by taxing authorities, including the City, Cass County, West Peculiar Fire Protection District, Cass County Library District, and the Raymore Peculiar R-II School District. The City will also cooperate with Aquila to obtain sales tax exemption for materials, goods and other personal property to be used for the Project;

- PILOT Payments: in lieu of the foregone property taxes relating to the Project, Aquila will make PILOT payments (as described on Schedule "A" hereto) to the City, which the City will divide among the applicable taxing jurisdictions in proportion to the amount of the then current *ad valorem* tax levy of each taxing jurisdiction;

Appendix 3

Key terms -continued:

- Project Expansion (Additional Revenue Bonds): if the Project is expanded and financed with additional revenue bonds, Aquila will make additional PILOT payments equal to $2,210 per $1 million of the additional revenue bonds issued by the City to finance the Project expansion; and

- Purchase Price: when the lease expires or otherwise terminates, Aquila will purchase the Project for $1,000.

Schedule "A"

Payment Date		Grant
May 1, 2005	$	214,455*
September 1, 2005	$	241,832
December 31, 2006	$	241,832
December 31, 2007	$	241,832
December 31, 2008	$	241,832
December 31, 2009	$	241,832
December 31, 2010	$	241,832
December 31, 2011	$	241,832
December 31, 2012	$	241,832
December 31, 2013	$	241,832
December 31, 2014	$	241,832
December 31, 2015	$	241,832
December 31, 2016	$	241,832
December 31, 2017	$	241,832
December 31, 2018	$	241,832
December 31, 2019	$	241,832
December 31, 2020	$	241,832
December 31, 2021	$	241,832
December 31, 2022	$	241,832
December 31, 2023	$	241,832
December 31, 2024	$	241,832
December 31, 2025	$	241,832
December 31, 2026	$	241,832
December 31, 2027	$	241,832
December 31, 2028	$	241,832
December 31, 2029	$	241,832
December 31, 2030	$	241,832
December 31, 2031	$	241,832
December 31, 2032	$	228,143
December 31, 2033	$	182,515
December 31, 2034	$	91,257
December 31, 2035	$	54,166

* This Grant will be payable only if the City owns the Project on January 1, 2005.

Grants will be reduced on a "rolling," dollar-for-dollar basis by amounts paid by Aquila to the City regarding litigation to which the City is party and which relates to the Chapter 100 financing contemplated by the Agreement. For example, if (a) the City owns the Project on January 1, 2005 and (b) on March 31, 2005, Aquila reimburses the City for $300,000 of legal fees incurred in connection with litigation over the City's right to issue Bonds without a vote of its residents, then Aquila would be credited for having paid to the City (x) $214,455 on May 1, 2005 and (y) $85,545 ($300,000 - $214,455 = $85,545) on September 1, 2005, which would result in Aquila owing only $156,285 to the City on September 1, 2005. This process will continue until all applicable Aquila credits have been used up or, if sooner, the date on which the Bonds are redeemed by Aquila.