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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
MISSOURI 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

July 6, 1998

Max A. Sherman
Director
Power Marketing

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
Director, Power Marketing

Enclosure

cc: David Stevenson
Jeff James

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AQUILA POWER CORPORATION PROPOSAL

TO

MISSOURI PUBLIC SERVICE

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EXECUTIVE SUMMARY

Aquila Power is offering peaking capacity to Missouri Public Service from a generating unit to 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 1, 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 Aquila'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 be constructed by LS Power LLC at an industrial park at the Entergy/TVA border in Batesville, Mississippi. The unit is one of three units to be constructed on the site, with a nominal total capacity rating of 800 MW. Aquila Power has executed a contract to purchase the capacity and the right to toll energy from one unit for a term well beyond the period requested by MP's Request for Proposals. The project will interconnect with both the Tennessee Valley Authority and the Entergy transmission systems at 161 kV. Aquila has been advised that the EPC contractor and generating equipment vendor have been selected. Because these vendor selections 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 copy of the major permits (which are listed below). The project schedule calls for initial financing at breaking ground to start construction in late July 1998, in order to meet a June 1, 2000 in-service 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 Necessity, Docket No. 97-UA-513, dated December 12, 1997
- State of Mississippi Air Pollution Control Permit No. 2100-00054, dated November 25, 1997 (both permission to construct and permission to operate)
- National Pollutant Discharge Elimination System (NPDES) Permit No. MS0052931, dated December 12, 1997
- Mississippi Permit to Divert or Withdraw for Beneficial Use the Public Waters, Permit No. MS-SW-02744, dated November 25, 1997.
- Federal Energy Regulatory Commission Certification of Exempt Wholesale Generator Status, Docket No. EG98-59-000, dated April 28, 1998.
- U.S. Army Corps of Engineers Nationwide/General Permit Nos. NW07, NW12, 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:

Option 1

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)

Option 2 (75 MW)

June 1, 2000 through May 31, 2001

Option 3 (Up to 100 MW)

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.

QUANTITY

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

Option 1: 100 MW for summer 2000 (June 1, 2000 through September 30, 2000)
75 MW for non-summer months (October 1, 2000 through May 31, 2001)

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 through May 31, 2004)

Options 1 and 2 are mutually exclusive. Aquila would be willing to consider selling the summer 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 under 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:

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 costs

\$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 Aquila'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, analogous 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 associated transmission arrangements. For these reasons, Aquila has shown present firm transmission 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)

<u>Path</u>	<u>Utility #1 and cost</u>	<u>Utility #2 and cost</u>	<u>Total (\$/MW-mo)</u>
Project-Entergy -Ameren-MPS	Entergy \$999.10/MW-mo. (incl. 3% cap. Losses) (+\$.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) (+\$.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) (+\$.20/MWh anc. Svcs.) (annual firm service)	AECI \$21192.87 per MW-yr (+\$.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
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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
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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 Commercial Operation Date and thereafter prior to June 1 of each subsequent calendar year, Purchaser shall provide to Seller a non-binding proposed schedule of its projected Dispatch for, in the case of the first such schedule, the nineteen (19)-Month period beginning on the Commercial Operation Date, and thereafter for the twelve (12)-Month period beginning on January 1st of the following calendar year.

Based on Purchaser's projected Dispatch schedule and subject to Section 5.4(b), Seller shall provide Purchaser with its proposed maintenance schedule for such twelve (12)-Month period within ten (10) Days following receipt of Purchaser's projected Dispatch schedule. Purchaser and Seller shall agree on the expected timing of the Scheduled Maintenance Outages for such twelve (12)-Month period with no Scheduled Maintenance Outages to occur during the period from June 15 to September 15. Scheduled Maintenance Outages may be taken in any number of non-contiguous periods, provided number of Scheduled Maintenance Hours does not exceed the amounts specified in Section 5.4(b). Seller shall coordinate all Scheduled Maintenance Outages with Purchaser by giving Purchaser written notice at least ten (10) Days prior to a Scheduled Maintenance Outage such notice to include the scheduled 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. This 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.

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

November 9, 1998

Max A. Sherman
Director
Power Marketing

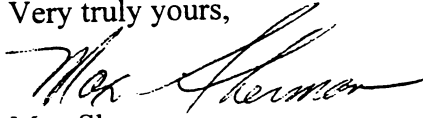
Mr. Frank A. DeBacker
Missouri Public Service
10700 East 350 Highway
Kansas City, Missouri 64138

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
Director, Power Marketing

Enclosure

cc: David Stevenson
John Hall
Joe Gocke
Jeff James

SCHEDULE MS-3
Page 2 of 22

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: _____

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**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.

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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 Agreement, Aquila agrees to sell and MPS agrees to purchase generating capacity in the amount of one hundred and thirty-five megawatts (135 MW) and scheduled energy at the Points of Delivery from one or more Designated Aquila Power Resources for the term of this Agreement. The initial Designated Aquila Power Resource for generating capacity and energy shall be Batesville Unit 1. Aquila may, from time to time at its sole discretion, offer to designate other Aquila Power Resources as the Designated Aquila Power Resource; however, MPS may in its sole discretion reject such offer, in which event, the Designated Aquila Power Resource shall 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 for supply of generating capacity shall be continuously available except that it may be curtailed at the option of Aquila in the event of the occurrence of any or all of the following, as determined 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:

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

Where:

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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

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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 SO₂ 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

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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.

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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:

SCHEDULE MS-3

Page 20 of 22

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.

Construction. The language used in this Agreement is the product of both Parties' efforts. Each Party hereby irrevocably waives the benefit of any rule of contract construction which would apply to the drafter of a contract or the drafter of specific language in a contract.

Imaged Agreement. Any original executed Agreement, schedule confirmation or other 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 printouts of the foregoing, if introduced as evidence in printed format, in any judicial, arbitration, 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 the rule of evidence.

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

AQUILA POWER CORPORATION

Secretary

By _____
President

Date _____

UTILICORP UNITED INC. d/b/a
MISSOURI PUBLIC SERVICE

Secretary

By _____
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
Director - Power Marketing
Aquila Power Corporation

cc: Max Sherman
Laurie Hamilton

SCHEDULE MS-4
Page 2 of 13

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

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

Max A. Sherman
Senior Director
Origination

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:

SCHEDULE MS-4

Page 3 of 13

Mr. Frank A. DeBacker

January 7, 1999

Page 2

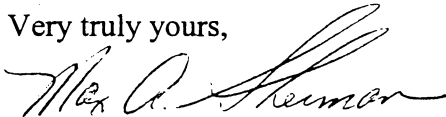
- a. Day-ahead scheduling submitted by MPS to MEP.
 - b. MEP can relax the minimum run time of 16 hours; we are considering a minimum of eight (8) hours when committing the plant in combined cycle mode, and less in simple cycle mode for the summer of 2001.
 - c. One start per day, unless we can agree 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

Mr. Frank A. DeBacker
January 7, 1999
Page 3

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 Sherman
Project Manager

Enclosure

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

Estimated Heat Rates - "F" Technology Turbines (2x1)

EPC Guaranteed Values -

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

<u>Net Power (kw)</u>	99F	54F
	<u>Unfired</u>	<u>Unfired</u>
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
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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)	1	1.015	1.045	1.08	1.12	1.185	1.065	1.16

99F Unfired - Westinghouse

Heat Rate (btu/kwhr)
Load (kw)

7,041	7,146	7,284.7	7,528.7	7,807.5	8,260.6	7,424.1	8,086.4	9,201.7
486,460	437,814	389,168	340,522	291,876	243,230	194,584	145,938	97,292

54F Unfired - Westinghouse

Heat Rate (btu/kwhr)
Load (kw)

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
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.

1 % Double
← NEW 40% AA

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

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

Max A. Sherman
Senior Director
Origination

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:

Mr. Frank A. DeBacker
January 12, 1999
Page 2

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 Transmission, 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.

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

Mr. Frank A. DeBacker
January 12, 1999
Page 3

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).

Mr. Frank A. DeBacker
January 12, 1999
Page 4

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

<u>Term</u>	<u>Quantity</u>	<u>Capacity Price</u>
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
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

Mr. Frank A. DeBacker
January 20, 1999
Page 2

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