



August 4, 1998

Mr. Mike Proctor
Assistant Manager
Federal/State Projects
Missouri Public Service Commission
310 West High Street
Jefferson City, MO 65101

Mr. Ryan Kind
Chief Utility Economist
Office of Public Counsel
Harry S. Truman Bldg., Ste. 250
PO Box 7800
Jefferson City MO 65102

RE: Reissue of the Missouri Public Service Request for Proposal

Dear Gentlemen:

On April 7, 1998 Missouri Public Service (MPS) submitted a draft Request for Proposal (RFP) for power supply resources to Staff and the OPC. MPS issued that RFP on May 22, 1998 and bids were received on July 17, 1998. Responses were disappointingly few and the costs alarmingly high.

Burns & McDonnell is in the final stages of evaluating the proposals and will finish their work within the next few weeks. At this time, it is MPS' opinion that its customers and the Company would be better served if MPS were to contract for its additional capacity and energy needs for the 12 months beginning June 1, 2000; and to construct a ~500 MW combined cycle power plant to meet the major portion of MPS' power supply needs for the period beginning June 1, 2001.

MPS plans to discuss the results of the RFP process and its implementation plan for additional resources at our August meeting which is tentatively set for August 24th.

In the event that the Staff and the OPC are of the opinion that:

- MPS should reissue the RFP for resources for 2001 and beyond; and that,
- MPS should submit a formal proposal in response to the RFP; and that,
- All proposals should be evaluated by an independent third party

MPS is submitting the enclosed draft RFP for review. The purpose for submitting the revised RFP for Staff and OPC review at this time is so that MPS will be in position to issue the revised RFP in late September if it is deemed prudent to do so.

Please note that the RFP is for unit contingent resources and the length of the contract term now extends to May, 2007.

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Reissue of MPS Request for Proposal

Please call me at (816) 936-8639 with any comments, suggestions or questions.

Sincerely,



Frank A. DeBacker
VP - Fuel & Purchased Power

Attachment

cc: John McKinney UCU w/ attachment

Request for Proposals
for
Unit Contingent
Capacity & Energy
for
Missouri Public Service

Reissued: September 21, 1998

A. General

On May 22, 1998, UtiliCorp Energy Group issued a Request for Proposal (RFP) on behalf of Missouri Public Service (MPS), a division of UtiliCorp United Inc. (UCU). Proposals were due on July 17, 1998. In late June, the price for wholesale electric energy skyrocketed to levels of over one hundred times the cost of production. The rapid run up in prices and accompanying market uncertainty reduced the number of responses and produced unrealistically high prices in the responses that were received to the original RFP. In addition, some of the proposals that were submitted were subsequently withdrawn..

Due to the above, UtiliCorp Energy Group finds it necessary to reissue the RFP.

Prospective bidders are advised that based on what it considers to be the high prices currently being quoted for resources, UCU intends to submit a proposal in response to this RFP. UCU's proposal will take the form of an Exempt Wholesale Generator and will be responsive to requirements of this RFP. In order to assure that all proposals are evaluated on a fair and equitable basis, UCU has retained Burns & McDonnell to evaluate all responses (including UCU's) to this RFP.

MPS is an integrated electric and gas utility located in western Missouri and is a member of the Southwest Power Pool and the MOKAN power pool.

The following RFP is for intermediate load, Unit Specific Capacity and Energy resources.

UCU expects to dispatch the unit(s) as intermediate/peaking capacity with annual capacity factors ranging from a low of 30 - 50 percent in the early years to a high of 60 - 70 percent in the later years.

Unit Specific means the successful bidder must dedicate a specific generating unit(s) that will provide the capacity and energy requested. For existing units, the unit's name, location and the transmission system to which it is connected must be stated in the proposal. Similar information for new units must also be provided.

This RFP is not a contract. Any contract(s) which may result from this RFP shall be in accordance with mutually agreeable, specific terms and conditions developed between UtiliCorp and the successful bidder(s). In addition, any contract(s) resulting from this RFP shall be subject to the approval of all regulatory bodies having jurisdiction.

UtiliCorp reserves the right to reject any or all proposals at its sole discretion.

Proposals shall be marked confidential and three copies shall be sent to Kiah Harris at the following address. Proposals must be received no later than 5:00p.m. C.D.S.T., November 13, 1998.

Kiah Harris
Manager, Business Analysis and Consulting
Burns & McDonnell
9400 Ward Parkway
Kansas City, MO 64114

B. Contract Capacities and Periods

Proposals are requested for unit contingent capacity amounts shown in Table 1. UCU expects to dispatch the intermediate capacity portion at annual capacity factors ranging from 40 - 80 percent with the lower capacity factors occurring in the early contract periods. Peaking Capacity will be dispatched at annual capacity factors of less than 25 percent.

Proposals for contract periods beginning June 1, 2003 must include a buyout option. The price of the option shall be stated in \$/MW-mo.

Table 1: Capacity Need

<u>Contract Period</u>		<u>Int. Capacity Amount (MW)</u>		<u>Peak Capacity Amount (MW)</u>	
<u>From</u>	<u>To</u>	<u>Min</u>	<u>Max</u>	<u>Min</u>	<u>Max</u>
6/1/2001	5/31/2002	320	350	90	90
6/1/2002	5/31/2003	360	380	90	100
6/1/2003	5/31/2004	390	410	100	100
6/1/2004	5/31/2005	420	440	100	110
6/1/2005	5/31/2006	450	490	110	120
6/1/2006	5/31/2007	460	530	120	130

C. Point(s) of Delivery

The Point(s) of Delivery shall be the interconnection point(s) of the resource with the local transmission system. UCU will provide the necessary transmission to deliver the capacity and energy to MPS.

D. Capacity Price

The Capacity Price shall be given at the Point(s) of Delivery and must be stated in \$/MW-mo, fixed for each year of the contract term.

E. Energy Pricing

The energy price must be for energy delivered at the Point(s) of Delivery. Energy prices may be fixed or based on regionally recognized indices. The energy pricing methodology must enable UtiliCorp to determine the energy price prior to submitting a purchase schedule per Section H below.

Bidders may propose a variety of energy pricing methodologies which may include, without limitation, the following elements:

On peak/off peak price	Constant price	Monthly price
Index price	Resource heat rate	Start up cost
Variable O&M costs		

The bidder shall provide any formula(s) used to calculate the energy price. The bidder shall include the values of any constants and a definition of all variables which make up the formula(s).

UCU prefers an energy pricing methodology which would allow it the maximum flexibility. To this end, UCU proposes that, for natural gas fueled resources, UCU assume total responsibility for supplying the fuel necessary to generate the energy supplied under the contract and pay the supplier its variable O&M, start up costs, etc. Under this concept, the supplier would provide the appropriate data and guarantee the heat rate curve, variable O&M costs, start up costs, etc. of the unit(s).

F. Buyout Option

A buyout option price must be provided for each contract period beginning on or after June 1, 2003. The pricing of the option shall be stated in \$/MW-mo. that will be applied to the MW amount of the buyout and the months remaining in the contract period subsequent to exercising the option.

G. Transmission

Proposals must provide the name of the appropriate contact person for the local transmission provider to which the unit(s) is connected.

UCU shall provide the necessary transmission service from the Point(s) of Delivery to MPS.

H. Scheduling

Proposals which allow hourly schedule changes are preferred; however, UCU will consider any and all scheduling proposals. Bidders shall state what scheduling requirements are proposed. At a minimum, proposed requirements on the following items **must** be included in bidders proposal:

- Resource Start up costs
- Minimum purchase schedule
- Minimum load factor & measuring period
- Maximum load factor & measuring period
- Minimum schedule block
- Initial schedule submittal procedure
- Subsequent schedule change procedure
- Energy Block Requirements (ie: 7x24, 5x16, etc.)

I. Guarantees

Bidders **must** state and define the level of the following performance guarantees where applicable:

Availability	Net Capacity
Heat Rate Curve	Commercial Operation
Start Up Time	

The successful bidder **will be required** to reimburse UtiliCorp any incremental cost incurred to acquire replacement capacity and energy due to the bidder's failure to meet its performance guarantees.

The projected maintenance schedule for the proposed resource(s) shall be included in the bidder's proposal.

J.. Process Timeline

The total time to complete the bidding process is expected to be four to five months and will generally follow the schedule shown below:

Issue RFP	September 14, 1998
Receive Proposals	November 6, 1998
Complete Evaluation	December 4, 1998
Contract Negotiations	December 7 - 31, 1998
Execute Contract	January, 1999

K. Contact

For additional information regarding this RFP, contact Frank A. DeBacker as follows:

Phone:	(816) 936-8639
Fax:	(816) 936-8695
E-mail:	fdebacke2@utilicorp.com