UTILICORP UNITED

Missouri Public Service

June 2001 - May 2005 Supply Side Resource Acquisition Process

Final Report

February 8, 1999

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1. Introduction

This report summarizes the evaluation process and the results of the MPS supply side resource acquisition process begun in May, 1998.

MPS will face a significant capacity shortfall beginning June, 2000 due to the expiration of two of its three purchase power contracts. The total capacity provided by these two contracts is 280 MW. The capacity shortfall will become more acute on June 1, 2001 when the third contract for 115 MW of capacity expires. A summary of the MPS loads and resources forecast showing the capacity shortfall is included as Appendix A.

2. Resource Solicitation

In order to meet both the capacity shortfall triggered by the expiration of the above contracts and projected increases in load, MPS issued a Request for Proposal (RFP) for additional supply side resources on May 22, 1998. Proposals were due on July 3, 1998. As originally issued, the RFP solicited proposals to meet the projected capacity and energy needs for the June, 2000 to May, 2004 time period. A copy of the original RFP is included as Appendix B.

Eight proposals were received in response to the RFP. Brief summaries of each proposal together with the original proposal and subsequent revisions are contained in Appendix C.

In order that evaluation criteria be consistently applied to all proposals, the RFP contained specific requirements in the following areas:

A. Resource Specific:	Bidder must be able to name the specific resource(s) which would supply the capacity and energy. "Financially Firm" proposals were not acceptable.
B. Buyout Option:	Proposal must offer the option to decrease the capacity commitment at a future date.
C. Delivery Point:	Proposals shall in include the cost of transmission from the resource to the borders of the MPS transmission system.
D. Capacity Pricing:	Capacity price shall be known and fixed for each period. Capacity price indexed to an index was not acceptable.
E. Energy Pricing:	The energy pricing formula must be such that MPS would know the cost of energy prior to submitting an energy purchase schedule.
F. Availability:	Availability of capacity and energy must be guaranteed with reductions in capacity payments for failure to meet guarantee levels.
G. Contract Term	Four years or less.

Table 2.1 shows how the each proposal complied with or otherwise addressed each of the six criteria listed above. As can be seen from the table, only the Aquila proposal complied with all criteria. All remaining proposals did not comply with one or more of the criteria.

Table 2.1: Proposal Compliance with RFP Criteria

Bidder Name	Criteria						
	A	B	C	D	E	F	G
Aquila Power	Y	Y	Y	Y	Y	Y	1-4
Basin Electric Coop	Y	N	Y	Y	Y	N	4
LS Power	Y	A	Y	Y	Y	Y	10
NP Energy	Y	Y	N	Y	Y	N	3
NorAm	Y	N	N	Y	Y	N	3
Southern Company	Y	A	N	Y	Y	Y	3
New Century Energies	Y	Y	Y	Y	Y	N	4
Carolina Power & Light	Y	N	Y	Y	Y	A	4

Notes: Y = Yes, N = No, A = Addressed but no specific terms
LS Power, NP Energy, Southern Company & NorAm contract terms begin 6/1/2001.
Only Aquila Power, Basin Electric, New Century and CP&L are available 6/1/2000.

3. Market Changes

The unanticipated supply shortages and subsequent increase in market price and volatility of the summer of 1998 had significant impact on critical elements of the resources selection and evaluation process. The more important events are described below. Appendix D contains a chronology of the evaluation process and provides added insight into the evaluation process.

The changing wholesale market gave rise to the following events which had significant impact on the evaluation process.

A. In mid September, 1998 UtiliCorp formed Merchant Energy Partners (MEP), a subsidiary formed to develop, own and manage UtiliCorp's portfolio of EWG, IPP and cogeneration facilities. At that point, the EWG option under consideration by MPS and the Aquila proposal for the period June 1, 2001 to May 31, 2004 were assigned to MEP.

B. In mid October, NP Energy notified MPS that it was undergoing changes in its organizational structure and would no longer be able to honor its proposal. It assigned its proposal to Houston Industries, the parent of NorAm who was one of the original bidders. NP Energy was subsequently purchased by Duke Energy and ceased to exist.

C. LS Power would not accept a contract term of less than ten years and was not comfortable with committing to a fixed price given the increasing price of generation equipment. As a result, it withdrew its proposal in mid September.

D. Carolina Power & Light decided that it needed at least a seven year contract term and was not comfortable owning assets which would be far from its operational base. As a result, it withdrew its proposal in mid November.

E. In early September, 1998, UtiliCorp reached tentative agreement to purchase the excess capacity of Sunflower Electric Cooperative of Hays, KS. This potential resource became a candidate to meet a portion of the capacity needs of MPS in both 2000 and 2001.

As a result of the above events, the power supply options available to MPS for the period June 1, 2001 to May 31, 2005 became those shown in Table 3.1 below.

Table 3.1: MPS Final Supply Side Options

June, 2001 - May 31, 2005
Houston Industries
Merchant Energy Partners
Southern Company
New Century Energies
Sunflower (2001 only)

4. Proposal Evaluation

Preliminary analysis of the proposals conducted in July and early August, 1998 by Burns & McDonnell had indicated that one of the three following portfolios would offer the lowest cost supply side resources in the 2000 - 2004 time frame:

A. Short term contract for the year 2000 only and a purchase contract with LS Power (2001+)
B. Short term contract for the year 2000 only and a self build option structured as a purchase contract with an Exempt Wholesale Generator affiliate of UtiliCorp United Inc.
C. Short term contract for the year 2000 only and purchase contracts with Carolina Power & Light, NP Energy, New Century Energies and Southern Company.

The results of the preliminary analysis were presented to the staff of the Missouri Public Utilities Commission (MPUC) and the Office of Consumer Council (OCC) on August 24, 1998. A copy of the August, 1998 report by Burns & McDonnell is included in Appendix E.

As a result of the preliminary evaluation, the proposal from Basin Electric Cooperative was dropped from active evaluation due to its high capacity price and the fact that it was not a component of any of the low cost portfolios.

In mid August, 1998 it became evident that the analysis process was being complicated by the energy price volatility and equipment shortages resulting from the sharp increase in the spot market price of energy in June and July, 1998. As a consequence, in early September, 1998, MPS requested that all bidders reconfirm their interest in being a power provider to MPS and to update their proposals.

Finally, with the exception of New Century Energies, Basin Electric Cooperative and Aquila Power, all bidders indicated that they could no longer meet the June, 2000 service date requested in the RFP.

The remainder of this report covers the evaluation for the June, 2001 - May, 2005 time period. Evaluation of power supply options for the June, 2000 to May, 2001 time period is being conducted separately.

June, 2001 - May, 2005 Supply Analysis

On November 6, 1998 MPS requested all bidders submit final proposals by November 30, 1998. Of the four possible suppliers, only Houston Industries and Merchant Energy Partners chose to update and resubmit their proposals. Both bidders proposed to construct generation facilities on the MPS system.

The Houston Industries proposal was for a seasonal peaking capacity contract with a term of five years. The contract would provide 500 MW to MPS in the months of June - September and 200 MW in the remaining months.

The Merchant Energy Partners proposal was for a seasonal intermediate capacity contract with a term of four years. The contract would provide 500 MW to MPS in the months of April - September and 200 MW in the remaining months.

MPS negotiated with both bidders through December and early January with both bidders being given several opportunities to modify and clarify their respective proposals.

Houston Industries submitted its final proposal on January 6, 1999 while Merchant Energy Partners submitted its final revision to its proposal on January 12, 1999. On

January 14, 1999, Houston Industries was given a final opportunity to improve its proposal and declined to do so.

The best and final offers from both bidders were modeled in MPS' production costing software and the annual energy supply costs calculated. The annual capacity costs and gas transportation costs were calculated outside the production costing model added to the energy supply costs to determine the total annual power supply costs. The assumptions for natural gas commodity and transportation costs as well as market energy price assumptions are contained in Appendix F.

In addition to evaluating the final proposals from Houston Industries and Merchant Energy Partners, MPS recalculated the power supply costs for Case 4, the lowest cost option in the Burns & McDonnell analysis of August, 1998. A summary of the results from the base analysis are shown in Table 4.2.

Table 4.1: Evaluation Results for June, 2001 - May, 2005
Supply Side Analysis

	NPV in 2001$ x 1,000	
	Without Off System Sales	With Off System Sales
Merchant Energy Partners	467,982	442,894
Houston Industries	467,117	453,535
Case 4	520,660	497,665

To test the sensitivity to both natural gas and market energy prices, several different scenarios were created by combining different rates of natural gas price escalation with both low, base and high market energy prices. These scenarios were then analyzed using the MPS production costing model. The results of the sensitivity analysis produced the same results as that obtained in the base case. Summaries of the results for these cases as well as for the base analysis are contained in Appendix G. Copies of the production model database as well as the output data for all of the analysis are also contained in Appendix G.

As a final check on its methodology and results, MPS engaged Burns & McDonnell to verify the results of the analysis. The analysis performed by Burns & McDonnell verified the methodology and results obtained by MPS. A copy of the report is included in Appendix E.

The results of the analysis clearly show that the Merchant Energy Partners proposal is the superior supply side resource option available to MPS at this time.

5. Conclusion

Based on the analysis conducted by both MPS and Burns & McDonnell, the preferred supply side resource plan to meet the capacity and energy needs of MPS in the June, 2000 - May, 2005 time period is as follows:

A. Use 115 MW of the Sunflower contract for MPS needs for the June, 2001 to May, 2002 time period.

B. Enter into a PPA with Merchant Energy Partners which will provide 320 MW during the months of June - Sept., 2001 and provide 500 MW during the months of April to Sept and 200 MW in the remaining months of the Jan, 2001 - May, 2005 time period.

C. Purchase incremental capacity needs in 2003 & 2004 through short term contracts.

MPS POWER SUPPLY
Loads & Resources
1999 - 2007
Projected Need

	SYSTEM PEAK RESPONSIBILITY (MW)					SYSTEM CAPACITY (MW)					
YEAR	SYSTEM LOAD NET 1-HR	FIRM PURCHASE (-)	FIRM SALES (+)	TOTAL SYSTEM PEAK RESP.	TOT SYSTEM CAPACITY RESP. * (5)/(1-CM)	ACCREDITED GENERATING CAPACITY	COMMITTED PURCHASE (+)	PROJECTED CAPACITY NEED	TOTAL SYSTEM APACITY	CAPACITY BALANCE	CAPACITY CAPACITY MARGIN (%)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(10)	(11)	(12)	(13)	(14)
1998	1,194	0	0	1,194	1,357	1,051	345	-	1,396	39	14.5%
1999	1,217	0	0	1,217	1,383	1,051	395	-	1,446	63	15.8%
2000	1,256	0	0	1,256	1,428	1,051	115	265	1,431	3	12.2%
2001	1,302	0	0	1,302	1,480	1,051	-	435	1,486	6	12.4%
2002	1,351	0	0	1,351	1,536	1,051	-	490	1,541	5	12.3%
2003	1,403	0	0	1,403	1,595	1,051	-	550	1,601	6	12.4%
2004	1,458	0	0	1,458	1,657	1,051	-	610	1,661	4	12.2%
2005	1,516	0	0	1,516	1,723	1,051	-	675	1,726	3	12.2%
2006	1,577	0	0	1,577	1,792	1,051	-	745	1,796	4	12.2%
2007	1,641	0	0	1,641	1,865	1,051	-	820	1,871	6	12.3%
2008	1,708	0	0	1,708	1,941	1,051	-	895	1,946	5	12.2%

Footnotes of forecasted data:

Minimum Capacity Margin (MCM) =	12.00%
Total System Capacity Resp. =	

$$\frac{\text{Total System Peak Resp.}}{1 - \text{MCM} + .00005} + .499$$

0.1304

Request for Proposals
for
Resource Specific Capacity & Energy
for
Missouri Public Service

Issued: May 22, 1998

A. General

UtiliCorp Energy Group is issuing this Request For Proposal (RFP) on behalf of Missouri Public Service (MPS), a division of UtiliCorp United Inc. (UCU).

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 both annual and seasonal **Resource Specific Capacity and Energy** resources. Financially firm energy proposals will not be accepted.

Resource Specific means the successful bidder must state the actual power supply resource(s) that will provide the capacity and energy requested. The resource(s) need not be stated in the proposal; however, the resource(s) must be named and listed in any contract which may result from this solicitation.

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., July 3, 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 the seasonal and annual capacity amounts shown in Table 1. Note that UCU may purchase less than the amounts shown in Table 1.

Proposals for contract periods beginning June 1, 2002 or later must include a buyout option. The price of the option shall be stated in $/MW-mo.

Note that the while the annual capacity amounts represent the total resource need, the amounts listed under the three headings are not mutually exclusive. For example, assuming that appropriate proposals are submitted, UCU may elect to purchase one of the following or similar portfolios to meet the needs of MPS from 6/1/2000 - 5/31/2001, each of which would satisfy the total need of 325 MW:

- 100 MW of Jun-May capacity, 50 MW of Oct-May capacity and 175 MW of Jun-Sep capacity; or,
- 325 MW of Jun-Sep capacity and 75 MW of Oct-May capacity; or,
- 325 MW of Jun-May capacity.

Table 1: MPS Capacity Need

Contract Period		Capacity Amount (MW)		
		Seasonal Capacity		Annual Capacity
From	To	Jun-Sep	Oct-May	Jun-May
6/1/2000	5/31/2001	Up to 325	Up to 75	Up to 325
6/1/2001	5/31/2002	Up to 500	Up to 250	Up to 500
6/1/2002	5/31/2003	Up to 575	Up to 300	Up to 575
6/1/2003	5/31/2004	Up to 650	Up to 350	Up to 650

C. Point(s) of Delivery

The point(s) of delivery shall be the interconnection point(s) of the MPS transmission system with the Eastern Interconnection.

D. Capacity Pricing

Capacity price at the point(s) of delivery **must** be stated in \$/MW-mo, fixed for the applicable contract term. Proposals in which the capacity price varies in each month of the contract period are acceptable.

E. Energy Pricing

Bidders are encouraged to submit creative pricing proposals. 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, but are not limited to, the following elements:

On peak/off peak price	Constant price
Monthly price	Index price
Resource heat rate	Resource 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).

F. Buyout Option

A buyout option price must be provided for each contract period beginning on or after June 1, 2002. The pricing of the option shall stated in $/MW-mo applicable to those months remaining in the contract period subsequent to exercising the option.

G. Transmission

The successful bidder shall provide firm transmission service from the proposed resource(s) to the Point(s) of Delivery.

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, if applicable
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. Availability

Bidders **<u>must</u>** state and define the guaranteed availability level for the resource(s) that will provide the capacity and energy proposed.

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 availability guarantees.

Bidders shall provide the proposed maintenance schedule for unit contingent resource(s).

J. Contact

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

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

Aquila Power Corporation

Aquila Power
10750 East 350 Highway
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Kansas City, MO 64138
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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.

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

Very truly yours,

Max Sherman

Max Sherman
Director, Power Marketing

Enclosure

cc: David Stevenson
Jeff James

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AQUILA POWER CORPORATION PROPOSAL

TO

MISSOURI PUBLIC SERVICE

EXECUTIVE SUMMARY

Aquila Power is offering peaking capacity to Missouri Public Service from a generating unit 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:

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

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

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

  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 Aqulia's actual cost. Aquila has identified transmission across Entergy and Ameren as the least cost firm transmission path from the Batesville project which meets the RFP requirements. Present prices for firm transmission on this path range from ~$2000/MW-month ~$2162/MW-month, depending on whether annual or monthly firm service is purchased from Entergy. However, Aquila believes that it may be possible for MPS to relax the requirement for firm service to MPS <u>if</u> 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 MPS' 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 and 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.

<u>Major Permits and Approvals for Batesville Project</u>

- 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, NW25, 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 Aqulia's actual cost. Aquila has identified transmission across Entergy and Ameren as the least cost firm transmission path from the Batesville project which meets the RFP requirements. Present prices for firm transmission on this path range from ~$2000/MW-month ~$2162/MW-month, depending on whether annual or monthly firm service is purchased from Entergy (refer to Table 1, below). However, Aquila believes that it may be possible for MPS to relax the requirement for firm service to MPS if the capacity were to be delivered across Entergy to the Southwest Power Pool (SPP). This is because capacity delivered to the SPP is expected to be counted by the SPP in order to meet a member utility's reserve capacity obligations (per an Aquila discussion with SPP staff). While the SPP will have a requirement effective October 1, 1998 that firm transmission for purchased capacity is required, there is at present no penalty imposed if this requirement is not met. In addition, the issue of grandfathering capacity transactions which existed before the October 1, 1998 effective date, analagous to grandfathering transmission service transactions entered into before the effective date of the SPP regional transmission tariff, to Aquila's knowledge has not been addressed. There may therefore be an opportunity to grandfather the 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)

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

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

ENERGY PRICE

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

OPERATION AND MAINTENANCE

Operation

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

Maintenance

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

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

``Section 5.4 Scheduled Maintenance.

(a) At least thirty (30) Days prior to the 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.

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

AQUILA ENERGY

Max A. Sherman
Director
Power Marketing

November 9, 1998

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

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

Dear Frank:

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

Very truly yours,

Max Sherman

Max Sherman
Director, Power Marketing

Enclosure

cc: David Stevenson
John Hall
Joe Gocke
Jeff James

AQUILA POWER

-Draft-

UNIT POWER SALES AGREEMENT

between

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

and

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

Dated: ____________________

Agreement No: _________

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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.

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:

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

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Where:

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

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

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

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

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

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

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

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

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

ARTICLE 6 -- SCHEDULING

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

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

ARTICLE 7 – TRANSMISSION SERVICE

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

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

ARTICLE 8 -- CLEAN AIR ACT EMISSIONS ALLOWANCES

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

ARTICLE 9 -- BILLING AND PAYMENT

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

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

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

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

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

ARTICLE 10 -- TAXES

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

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

ARTICLE 11 -- LIABILITY ALLOCATION

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

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

ARTICLE 12 -- FORCE MAJEURE

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

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

ARTICLE 13 -- PERFORMANCE

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

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

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

ARTICLE 14 -- RIGHT OF INFORMATION

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

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

ARTICLE 15 -- PARTIES

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

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

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

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

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

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

ARTICLE 16 -- MISCELLANEOUS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(i) To Aquila:

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

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

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

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

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

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

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

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

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

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

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

ATTEST

By ________________
Secretary

AQUILA POWER CORPORATION

By ________________
President

Date ________________

ATTEST

By ________________
Secretary

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

By ________________
President

Date ________________

Basin Electric Cooperative

**BASIN ELECTRIC
POWER COOPERATIVE**

1717 EAST INTERSTATE AVENUE
BISMARCK, NORTH DAKOTA 58501-0564
PHONE: 701/223-0441
FAX: 701/224-5336

July 2, 1998

CONFIDENTIAL

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

Dear Mr. Harris:

Basin Electric is pleased to respond to your May 22, 1998, request for power supply proposals for Missouri Public Service (MPS). With this proposal, Basin Electric is offering annual MAPP Service Schedule A capacity to MPS. Our proposal covers the June 1, 2000 through May 31, 2004 period, but Basin Electric would consider a shorter or possibly longer duration. Basin Electric's proposal is for up to 100 MW, with the major details of the proposal listed on the attached sheets.

Please contact Tom Christensen with any questions. Due to the number of other potential capacity commitments, Basin Electric reserves the right to withdraw this offer at any time.

Sincerely,

Robert L. McPhail
General Manager

tsc/ms
ATTACHMENT
cc: David Raatz
Tom Christensen

CONFIDENTIAL

Schedule A Transaction
Annual Participation Power

Governing Agreement:	The Mid-Continent Area Power Pool (MAPP) Agreement, as amended, or alternatively a separate two-party agreement could be used.
Transaction Type:	MAPP Service Schedule A: Participation Power Interchange Service, or a mutually agreed to alternate service schedule.
Delivering Party:	Basin Electric Power Cooperative (BEPC)
Receiving Party:	Missouri Public Service (MPS)
Term:	June 1, 2000 through May 31, 2004
Contract Amount:	Up to 100 MW
Contingent on Transmission Availability:	This Agreement would be contingent upon ability to secure Firm Transmission Service.
Power Demand Charge:	<u>Year</u> <u>Demand Charge</u> 2000 $12,600/MW-mo 2001 $13,100/MW-mo 2002 $13,600/MW-mo <u>Year</u> <u>Demand Charge</u> 2003 $14,100/MW-mo 2004 $14,600/MW-mo Basin Electric would require a provision for adjusting the demand charge upward to cover the cost of any new or increased tax or emission requirements.
Transmission Demand Charge:	<u>Year</u> <u>Demand Charge</u> 2000 $2,530/MW-mo 2001 $2,530/MW-mo 2002 $2,530/MW-mo <u>Year</u> <u>Demand Charge</u> 2003 $2,530/MW-mo 2004 $2,530/MW-mo The price listed is the estimated firm point-to-point transmission rate which could be used to deliver power from BEPC to MPS under a MAPP long-term tariff. This cost will vary based on the actual transmission costs incurred.
Energy Charge:	<u>Year</u> <u>Energy Charge</u> 2000 $12.70/MWh 2001 $13.10/MWh 2002 $13.50/MWh <u>Year</u> <u>Energy Charge</u> 2003 $13.90/MWh 2004 $14.30/MWh Basin Electric would require the provision for adjusting the energy charge upward to cover the cost of any new or increased tax or emission requirements.

Schedule A Transaction
Annual Participation Power

CONFIDENTIAL

System Contingent Capacity:	The energy supply shall be contingent upon the availability of BEPC's North Dakota coal-fired generation. If a BEPC coal-fired generation resource is taken off-line or substantially curtailed due to equipment failure or required maintenance, BEPC shall have the right but not the duty to interrupt deliveries under an agreement upon notice. BEPC will consider alternate curtailment procedures which would allow BEPC to continue energy deliveries to MPS with the understanding that MAPP emergency procedures will be adhered to, and with consideration of negotiated pricing during those times that BEPC resources are limited.
Availability:	Participation Power provided under this Agreement is intended to be available at all times, subject to unit availability, line loading limitation of the transmission systems involved and all factors generally considered to be covered by Force Majeure. However, under no circumstances will BEPC native firm loads be interrupted to maintain energy deliveries under this agreement.
Scheduling:	Basin Electric would require a minimum schedule commitment equal to 50% of the contract amount and would reserve the right to limit the hourly schedule change based upon the ramping capability of BEPC's North Dakota coal-fired generation.
Capacity Factor:	Basin Electric would require a 70% minimum monthly load factor and a maximum monthly load factor of 90%. If emission credits are supplied to BEPC, the load factor limit could be raised.
Delivery Point:	The energy shall be delivered through the use of the MAPP long-term tariff to MPS's transmission system. Therefore, the delivery point consistent with the use of MAPP long-term tariff transmission is the point(s) of interconnection between MAPP RTC member(s) transmission system(s) and MPS's transmission system.
Energy Losses:	BEPC shall be responsible for all energy losses associated with delivering this power to the MPS's transmission system. MPS shall be responsible for losses on the MPS transmission system.
Contact Person:	Tom Christensen Phone: 701/223-0441, ext. 2242 E-Mail: chrsn@bepc.mapp.org

BASIN ELECTRIC
POWER COOPERATIVE

1717 EAST INTERSTATE AVENUE
BISMARCK, NORTH DAKOTA 58501-0564
PHONE: 701/223-0441
FAX: 701/224-5336

August 26, 1998

Mr. Frank A. DeBacker
UtiliCorp United
10700 East 350 Highway
Kansas City, MO 64138

Dear Mr. DeBacker:

This letter is in response to your August 25, 1998 letter regarding your RFP process for Missouri Public Service power supply.

Basin Electric continues to have an interest in providing power supply resources to Missouri Public Service. The terms and conditions outlined in my July 2, 1998 letter to Mr. Kiah Harris remain valid, however, Basin Electric continues to reserve the right to withdraw this offer at any time.

Sincerely,

Robert L. McPhail
General Manager

tsc/ms
cc: Wayne Backman
David Raatz
Tom Christensen