

LAW OFFICES
BRYDON, SWEARENGEN & ENGLAND
PROFESSIONAL CORPORATION

DAVID V.G. BRYDON
JAMES C. SWEARENGEN
WILLIAM R. ENGLAND, III
JOHNNY K. RICHARDSON
GARY W. DUFFY
PAUL A. BOUDREAU
SONDRA B. MORGAN
CHARLES E. SMARR

312 EAST CAPITOL AVENUE
P.O. BOX 456
JEFFERSON CITY, MISSOURI 65102-0456
TELEPHONE (573) 635-7166
FACSIMILE (573) 635-3847
E-MAIL: DCOOPER@BRYDONLAW.COM

DEAN L. COOPER
MARK G. ANDERSON
TIMOTHY T. STEWART
GREGORY C. MITCHELL
BRIAN T. MCCARTNEY
DALE T. SMITH
BRIAN K. BOGARD

OF COUNSEL
RICHARD T. CIOTTONE

March 8, 2001

Mr. Dale Hardy Roberts
Public Service Commission
P. O. Box 360
Jefferson City, MO 65102

FILED²
MAR 08 2001
Missouri Public
Service Commission

RE: UtiliCorp United Inc. - Case No. E0-2001-477

Dear Mr. Roberts:

Enclosed for filing on behalf of UtiliCorp United Inc., please find an original and eight copies of an Application. Please stamp the enclosed extra copy "filed" and return same to me.

If you have any questions concerning this matter, then please do not hesitate to contact me.
Thank you very much for your attention to this matter.

Sincerely,

BRYDON, SWEARENGEN & ENGLAND P.C.

By:

Dean Cooper
Dean L. Cooper *ky Rz*

DLC/rhg
Enclosures
cc: Office of the Public Counsel
General Counsel

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

FILED²

MAR 08 2001

Missouri Public
Service Commission

In the Matter of the Application of)
UtiliCorp United Inc. under §32(k) of)
the Public Utilities Holding Company)
Act of 1935 Concerning Service)
Agreement No. 2 Between)
MEP Pleasant Hill, L.L.C. and)
UtiliCorp United Inc. d/b/a Missouri)
Public Service.)

Case No. EO-2001-477

APPLICATION

COMES NOW UtiliCorp United Inc. ("UtiliCorp"), d/b/a Missouri Public Service ("MPS"), pursuant to §32(k) of the Public Utility Holding Company Act of 1935 ("PUHCA"), 4 CSR 240-2.060(1) and 4 CSR 240-2.080 and in support of its Application to the Missouri Public Service Commission ("Commission") for an order concerning Service Agreement No. 2 ("SA2") between UtiliCorp and MEP Pleasant Hill, L.L.C. ("MEPPH"), states as follows:

1. UtiliCorp is a Delaware corporation, in good standing in all respects, with its principal office and place of business at 911 Main Street, Suite 3000, Kansas City, Missouri 64105. UtiliCorp is authorized to conduct business in Missouri through its MPS operating division and as such is engaged in providing electrical and natural gas utility service in its service areas subject to the jurisdiction of the Commission. A certified copy of MPS's Certificate of Corporate Good Standing-Foreign Corporation and fictitious name registration as issued by the Secretary of State of the State of Missouri was previously filed with the Commission in Case No. EM-2000-292 and is hereby incorporated by reference in accordance with 4 CSR 240-2.060(1)(G). MPS has no pending action or final unsatisfied judgments or decisions against it from any state or federal agency or court which involve customer service or rates. MPS has no annual report or assessment fees which are overdue.

2. MEPPH is a special purpose limited liability company organized under and by virtue of the laws of the State of Delaware, in good standing in all respects, with its principal office and place of business at 10750 350 Highway, Kansas City, Missouri 64138. MEPPH is owned 50% by Aquila Energy Corporation - a wholly owned subsidiary of UtiliCorp – and 50% by Calpine Corporation. MEPPH owns and is in the process of constructing an approximately 600 MW gas fired combined cycle power project in Cass County, Missouri (the “Aries Project”).

3. All communications, notices, orders and decisions with respect to this Application and proceeding should be addressed to:

Gary Clemens
Manager Regulatory Services
UtiliCorp United Inc.
10700 E. 350 Highway
Kansas City, MO 64138
(816) 737-7934
(816) 737-7505 fax

Dean L. Cooper
Brydon, Swearingen & England P.C.
312 E. Capitol Avenue
P.O. Box 456
Jefferson City, MO 65102-0456
(573) 635-7166
(573) 635-3847 fax

4. In connection with its Missouri jurisdictional electrical operations which it conducts through MPS, UtiliCorp has entered into certain contracts pursuant to which it purchases wholesale electric power. On May 22, 1998, UtiliCorp entered into a competitive bidding process pursuant to which it issued a Request for Proposal (“RFP”), for both annual and seasonal purchased power capacity.

5. After evaluation of the bid proposals received, UtiliCorp determined the successful (i.e., lowest cost) proposal to be a bid submitted by MEPPH. Accordingly, UtiliCorp negotiated

with MEPPH the terms of a Power Sales Agreement ("PSA").

6. In order to protect against abusive affiliate transactions, subsection 32(k) of the PUHCA prohibits an electric utility, such as UtiliCorp, from entering into a purchase power agreement with an affiliated exempt wholesale generator ("EWG") unless every state commission having jurisdiction over the retail rates of the electric utility makes certain specific determination with respect to the agreement. These specific determinations are that the Commission has sufficient regulatory authority, resources and access to books and records of UtiliCorp and any relevant affiliate or subsidiary such that it may exercise its duties under subsection 32(k) to determine that the proposed PSA (1) will benefit consumers; (2) does not violate any applicable state law (including, where applicable, least cost planning); (3) would not provide MEPPH any unfair competitive advantage by virtue of its affiliation with UtiliCorp; and (4) is in the public interest.¹

7. The Commission reviewed the PSA between UtiliCorp and MEPPH in Commission Case No. EM-99-369 and made the necessary findings to satisfy PUHCA in its Order Regarding Power Sales Agreement issued April 22, 1999.

8. Thereafter, MEPPH filed with the FERC a request for certification as an EWG and a request for approval of the PSA under applicable provisions of the PUHCA and the Federal Power Act. (FERC Docket No. ER99-2833-000 and ER99-2858-000). After obtaining such FERC approvals, MEPPH commenced with the construction of a combined cycle combustion turbine generation plant in Cass County, Missouri, near the town of Pleasant Hill.

9. MEPPH is now in a position to test the Aries Project. However, delivery obligations under the PSA commence on the initial Commercial Operation Date of the Aries Project in simple-

¹See, 15 U.S.C. §79z-5a(k).

cycle mode and the PSA does not provide for sales of test energy from the project prior to such Commercial Operation Date. In order to account for test energy, MEPPH and UtiliCorp have agreed to SA2 (attached hereto as Appendix 1 and made a part hereof by reference). SA2 also provides for sales of test energy prior to the subsequent Commercial Operation date of the Aries Project in combined-cycle mode. SA2 provides for the sale by MEPPH to UtiliCorp of test energy from the Aries Project at UtiliCorp's avoided cost of supply. However, to remove any possibility of affiliate abuse, the rate is capped at a market proxy – the "Into Cinergy" daily index price as quoted by Power Markets Weekly, plus applicable transmission charges necessary to deliver the quantity of energy from Cinergy to the MPS control area.²

10. The Commission's broad statutory authority over the determination of retail rates by electrical corporations, including UtiliCorp, pursuant to Chapters 386 and 393, RSMo has not changed since the Commission's decision in Case No. EM-99-369. Thus, the Commission continues to have the ability to make the determinations required by the PUHCA as set forth in paragraph 6.

11. SA2 will allow the energy produced during the test of the Aries Project to be used in a beneficial manner and enable the Aries Project to move toward the production of a steady, affordable and reliable source of electric power for distribution by MPS to its electric utility customers.

12. SA2 does not violate any applicable state law.

² The FERC has previously concluded that capping the price for sales from a marketer to an affiliated utility at a reasonable market proxy (such as the Into Cinergy price) mitigates any affiliate abuse concerns. E.g. DPL Energy, Inc., 90 FERC ¶ 61,212 (1999). Unlike Ameren and Dayton Power & Light Company, MPS is not directly interconnected with Cinergy. Therefore, it is reasonable to include the costs of transmission from Cinergy to MPS as part of the market price proxy. There are no defined market indices for prices at locations directly interconnected to MPS.

13. SA2 will not provide MEPPH with any unfair competitive advantage by virtue of its affiliation with UtiliCorp.

14. UtiliCorp further specifically agrees to the following conditions which are a part of the Commission's Order in Case No. EM-99-369:

- a) That UtiliCorp shall make available to the Commission, its Staff and the Office of the Public Counsel, at reasonable times and reasonable places, all books and records and employees and officers of MEPPH and any affiliate or subsidiary of UtiliCorp engaged in any activity with MEPPH;
- b) MEPPH shall employ accounting and other procedures and controls related to cost allocations and transfer pricing to ensure and facilitate full review by the Commission and its Staff and to protect against cross-subsidization of non-MPS business by MPS's customers; and,
- c) This order is in no way binding on the Commission or any party regarding a future rate or earnings complaint case to contest the ratemaking treatment to be afforded SA2. UtiliCorp shall not seek to overturn, reverse, set aside, change or enjoin, whether through appeal or the initiation or maintenance of any action in any forum, a decision or order of the Commission which pertains to recovery, disallowance, deferral or ratemaking treatment of any expense, charge, cost or allocation incurred or accrued by MEPPH or UtiliCorp d/b/a MPS in or as a result of SA2 on the basis that such expense, charge, cost or allocation has itself been filed with or approved by the Federal Energy Regulatory Commission, or was incurred pursuant to SA2.

15. For the reasons aforesaid, the terms of SA2 are in the public interest.

WHEREFORE, UtiliCorp respectfully requests that the Commission issue an order:

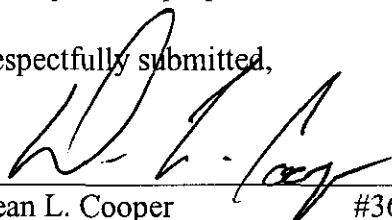
(A) specifically determining that the Commission has sufficient regulatory authority, resources and access to books and records of UtiliCorp and MEPPH to exercise its duties under subsection 32(k) of PUHCA to ensure that the proposed PSA (i) benefits consumers, (ii) does not violate any state law, (iii) does not provide MEPPH with any unfair competitive advantage by virtue of its affiliation with UtiliCorp and (iv) is in the public interest;

(B) authorizing UtiliCorp to perform in accordance with the terms and conditions of the Service Agreement No. 2 by and between MEPPH and UtiliCorp;

(C) authorizing UtiliCorp to enter into, execute and perform in accordance with the terms of all documents reasonably necessary and incidental to the performance of the transactions which are the subject of this Application; and,

(D) granting such other authority as may be just and proper under the circumstances.

Respectfully submitted,

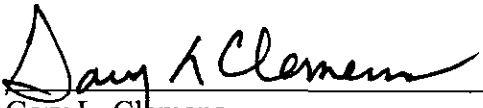


Dean L. Cooper #36592
BRYDON, SWEARENGEN & ENGLAND P.C.
P.O. Box 456
312 E. Capitol Avenue
Jefferson City, MO 65102-0456
(573) 635-7166
(573) 635-3847 fax
dcooper@brydonlaw.com

Attorneys for UtiliCorp United Inc.

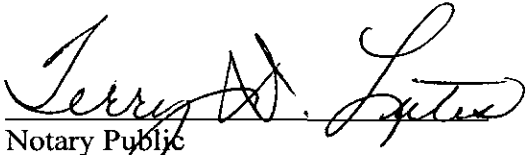
STATE OF MISSOURI)
) SS.
COUNTY OF JACKSON)

I, Gary L. Clemens, of lawful age, being duly sworn, upon his oath, states that I am the Manager of Regulatory Services of UtiliCorp United Inc.; that I am authorized to execute this document on behalf of UtiliCorp United Inc.; and that the facts set forth in the foregoing are true to the best of my knowledge, information and belief.



Gary L. Clemens

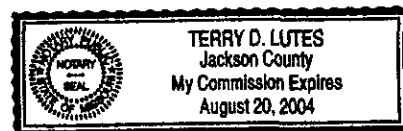
Subscribed and sworn to before me this 8th day of March, 2001.



Notary Public

My Commission Expires:

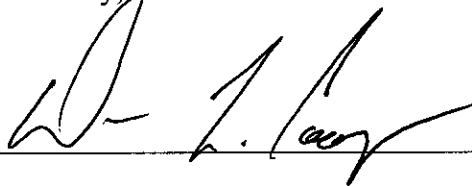
08-20-04



Certificate of Service

I hereby certify that a true and correct copy of the above and foregoing document was sent by U.S. Mail, postage prepaid, or hand-delivered, on this 8th day of March, 2001, to:

The Office of the Public Counsel
6th Floor, Governor State Office Building
Jefferson City, MO 65102-7800



6.

SCANNED

**MASTER POWER PURCHASE AND SALE AGREEMENT
COVER SHEET**

This *Master Power Purchase and Sale Agreement* ("Master Agreement") is made as of the following date: 12/18/2000 ("Effective Date"). The *Master Agreement*, together with the exhibits, schedules and any written supplements hereto, the Party A Tariff, if any, the Party B Tariff, if any, and the Transactions which the Parties agree will be entered into pursuant to this Master Agreement (as evidenced by the Confirmation Letter dated 12/18/2000) shall be referred to as the "Agreement". The Parties to this *Master Agreement* are the following:

MEP Pleasant Hill, LLC ("Seller" or "Party A")

All Notices:

c/o Aquila Energy Corporation
Street : 1100 Walnut Street, Suite 3300
City: Kansas City, Missouri Zip: 64106
Attn: Contract Administration
Phone: 816-527-1000
Facsimile: 816-527-1006
Duns: "none"
Federal Tax ID Number: 43-185-1880

Invoices:

Attn: Lou Ann Patterson
Phone: 816-527-1722
Facsimile: 816-527-4722

Scheduling:

Attn: Bob Bingham
Phone: 816-540-2800
Facsimile: 816-540-3058

Payments:

Attn: Lou Ann Patterson
Phone: 816-527-1722
Facsimile: 816-527-4722

Wire Transfer:

Bank: The Northern Trust Company
ABA: 071-000-152
Account: 10235

Credit and Collections:

Attn: Lou Ann Patterson
Phone: 816-527-1722
Facsimile: 816-527-4722

Utilicorp United, Inc. d/b/a Missouri Public Service ("Buyer" or "Party B")

All Notices:

Street: 10700 East 350 Highway
P O. Box 11739
City: Kansas City, Missouri Zip: 64138
Attn: Contract Administration
Phone: (816) 737-7862
Facsimile: (816) 743-3862
Duns: "none"
Federal Tax ID Number: 44-0541877

Invoices:

Attn: Debbie Hines
Phone: (816) 737-7863
Facsimile: (816) 743-3863

Scheduling:

Attn: Tom Santia
Phone: (816) 737-7828
Facsimile: (816) 743-3828

Payments:

Attn: Debbie Hines
Phone: (816) 737-7863
Facsimile: (816) 743-3863

Wire Transfer:

Bank: Northern Trust Company
ABA: 071-000-152
Account: 15628

Credit and Collections:

Attn: Debbie Hines
Phone: (816) 737-7863
Facsimile: (816) 743-3863

APPENDIX 1

With additional Notices of an Event of Default or
Potential Event of Default to:

Attn: Asset Manager - ARIES Plant
Phone: 816-527-1000
Facsimile: 816-527-1006

with copy to:

Attn: General Counsel - Aquila Energy
Phone: 816-527-1000
Facsimile: 816-527-1006

With additional Notices of an Event of Default or
Potential Event of Default to:

Attn: John Williams
Phone: (816) 737-7820
Facsimile: (816) 743-3820

The Parties hereby agree that the General Terms and Conditions are incorporated herein, and to the following provisions as provided for in the General Terms and Conditions:

Party A Tariff	Tariff: n / a	Dated: n / a	Docket Number: n / a
Party B Tariff	Tariff: n / a	Dated: n / a	Docket Number: n / a

Article Two

Transaction Terms and Conditions

☐ Optional provision in Section 2.4. Inapplicable.

Article Four

Remedies for Failure
to Deliver or Receive

☐ Accelerated Payment of Damages. If not checked, inapplicable.

Article Five

Events of Default; Remedies

☐ Cross Default for Party A:

☐ Party A: _____ Cross Default Amount \$ _____

☐ Other Entity: _____ Cross Default Amount \$ _____

☐ Cross Default for Party B:

☐ Party B: _____ Cross Default Amount

☐ Other Entity: _____ Cross Default Amount \$

5.6 Closeout Setoff

☒ Option A (Applicable if no other selection is made.)

☐ Option B - Affiliates shall have the meaning set forth in the Agreement unless otherwise specified as follows: _____

☐ Option C (No Setoff)

Article 8

8.1 Party A Credit Protection

Credit and Collateral Requirements

(a) Financial Information:

- ☐ Option A
☐ Option B Specify: _____
☐ Option C Specify: _____

(b) Credit Assurances:

- ☒ Not Applicable
☐ Applicable

(c) Collateral Threshold:

- ☒ Not Applicable
☐ Applicable

If applicable, complete the following:

Party B Collateral Threshold: \$ _____; provided, however, that Party B's Collateral Threshold shall be zero if an Event of Default or Potential Event of Default with respect to Party B has occurred and is continuing.

Party B Independent Amount: \$ N/A

Party B Rounding Amount: \$ N/A

(d) Downgrade Event:

- ☒ Not Applicable
☐ Applicable

If applicable, complete the following:

- ☐ It shall be a Downgrade Event for Party B if Party B's Credit Rating falls below _____ from S&P or _____ from Moody's or if Party B is not rated by either S&P or Moody's
☐ Other:
Specify: _____

(e) Guarantor for Party B: _____

Guarantee Amount: _____

8.2 Party B Credit Protection:

(a) Financial Information:

- ☐ Option A
☐ Option B Specify: _____
☐ Option C Specify: _____

(b) Credit Assurances:

- ☒ Not Applicable
☐ Applicable

(c) Collateral Threshold:

- ☒ Not Applicable
☐ Applicable

If applicable, complete the following:

Party A Collateral Threshold: \$ _____; provided, however, that Party A's Collateral Threshold shall be zero if an Event of Default or Potential Event of Default with respect to Party A has occurred and is continuing.

Party A Independent Amount: \$ N/A

Party A Rounding Amount: \$ N/A

(d) Downgrade Event:

- ☒ Not Applicable
☐ Applicable

If applicable, complete the following:

- ☐ It shall be a Downgrade Event for Party A if Party A's Credit Rating falls below _____ from S&P or _____ from Moody's or if Party A is not rated by either S&P or Moody's
- ☐ Other:
Specify: _____

(e) Guarantor for Party A: _____

Guarantee Amount: _____

Article 10

Confidentiality

☒ Confidentiality Applicable : If not checked, inapplicable.

Schedule M

- ☐ Party A is a Governmental Entity or Public Power System
☐ Party B is a Governmental Entity or Public Power System
☐ Add Section 3.6. If not checked, inapplicable
☐ Add Section 8.6. If not checked, inapplicable

Other Changes: Yes

Specify, if any:

1. In the definition of "Sales Price" in Article One, delete the clause following the semicolon in the first sentence and replace it in its entirety by the following clause: "; provided, however, in no event shall such price include any penalties, ratcheted demand or similar charges, nor shall Seller not any of its Affiliates be required to utilize or change its, or any of its Affiliates, utilization of its, or any of its Affiliates, owned or controlled assets, including contractual assets, or market positions to minimize Buyer's liability."

2. In Article Ten, Section 10.5 Assignment, in clause (ii) thereof replace the words "affiliate" and "affiliate's" with, respectively, "Affiliate" and "Affiliate's", and in clause (iii) thereof immediately after the words "substantially all of the assets" insert the words "of such Party and".

3. The Parties agree to amend Section Ten.41 (Confidentiality) as follows: In the third (4th) line thereof, between the words "employees" and "lenders", add the word "Affiliates". And in the seventh (7th) line thereof, between the word "proceeding" and the semicolon which immediately follows, add the words "applicable to such Party or any of its Affiliates".

4. The Parties agree to add the following section immediately following Section Ten.11: Ten.12 Imaged Agreement. Any original executed Agreement, 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 Confirmation, if introduced as evidence in automated facsimile form, the Recording, 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 Recording, the Confirmation or the Imaged Agreement (or photocopies of the transcription of the Recording, the 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, the Parties have caused this Master Agreement to be duly executed as of the date first above written.

MEP Pleasant Hill, LLC

Utilicorp United, Inc. d/b/a

Missouri Public Service

By: *Barry T. O'Brien*

By: *John C. Browning*

Name: BARRY T. O'BRIEN

Name: John C. Browning

Title: COMPANY MANAGER

Title: VP Wholesale Operations

DISCLAIMER: This Master Power Purchase and Sale Agreement was prepared by a committee of representatives of Edison Electric Institute ("EEI") and National Energy Marketers Association ("NEM") member companies to facilitate orderly trading in and development of wholesale power markets. Neither EEI nor NEM nor any member company nor any of their agents, representatives or attorneys shall be responsible for its use, or any damages resulting therefrom. By providing this Agreement EEI and NEM do not offer legal advice and all users are urged to consult their own legal counsel to ensure that their commercial objectives will be achieved and their legal interests are adequately protected.

**MASTER POWER PURCHASE AND SALE AGREEMENT
CONFIRMATION LETTER**

This confirmation letter dated 12/18, 2000 shall confirm the Transaction agreed to on 12/18, 2000 between MEP Pleasant Hill, LLC ("Party A") and Utilicorp United, Inc. d/b/a Missouri Public Service ("Party B") regarding the sale/purchase of the Product under the terms and conditions as follows:

Seller: MEP Pleasant Hill, LLC

Buyer: Utilicorp United, Inc. d/b/a Missouri Public Service

Product:

- ☐ Into _____, Seller's Daily Choice
- ☐ Firm (LD)
- ☐ Firm (No Force Majeure)
- ☐ System Firm
(Specify System: _____)
- ☐ Unit Firm
(Specify System: _____)

☒ Other : The delivery of Energy under this Transaction shall be fully interruptible at Seller's sole discretion. The Energy to be delivered hereunder is test energy to be generated from each unit of the generating station ("Plant") being built by Seller near Pleasant Hill, Missouri. This test energy will be generated in two testing phases. First test energy to be sold will be generated in the simple cycle operating mode of each unit at the Plant before the Commercial Operating Date of the simple cycle operating mode of each such unit ("First Phase"). Following cessation of the simple cycle operating mode of each unit at the Plant, there will be a second phase for generation of test energy in the combined cycle operating mode for each unit at the Plant before the Commercial Operation Date of the combined cycle operating mode of each such unit ("Second Phase"). The term "Commercial Operation Date" as used in this Confirmation will have the same meaning as contained in that certain Power Sale Agreement between Seller and Buyer dated February 17, 1999 ("PSA"). Nothing herein is intended, nor shall it modify the PSA in any respect.

- ☐ Transmission Contingency (If not marked, no transmission contingency)
 - ☐ FT-Contract Path Contingency ☐ Seller ☐ Buyer
 - ☐ FT-Delivery Point Contingency ☐ Seller ☐ Buyer
 - ☐ Transmission Contingent ☐ Seller ☐ Buyer

[X] Other transmission contingency: The performance of either Seller or Buyer under this Transaction shall be excused, and no damages shall be payable including any amounts determined pursuant to Article Four, if the transmission for such Transaction is unavailable or interrupted or curtailed for any reason, at any time, anywhere from the Seller's Plant to the Delivery Point, regardless of whether transmission, if any, that such Party is attempting to secure and/or has purchased for the Product is firm or non-firm. If the transmission (whether firm or non-firm) that Seller or Buyer is attempting to secure is unavailable, this contingency excuses performance for the entire Transaction. If the transmission (whether firm or non-firm) that Seller or Buyer has secured is interrupted or curtailed for any reason, this contingency excuses performance for the duration of the interruption or curtailment notwithstanding the provisions of the definition of "Force Majeure" in Article 1.23 to the contrary.

Quantity: The Parties agree that the Quantity will be variable depending on actual Energy scheduled during the various testing periods and at such intervals as determined by Seller (in accordance with the Scheduling parameters below) aimed towards achieving the Commercial Operation Date for each unit at the Plant in the simple and combined cycle generating modes, respectively.

Scheduling: Seller shall pre-schedule test runs with Buyer prior to 10:00 AM of the prior business day before delivery of the Energy to the Delivery Point. Actual deviations from schedule due to unforeseen circumstances will be continuously and immediately communicated to the Buyer. Controllable schedule deviations will be rescheduled on an intra-day basis upon immediate communication to the Buyer and Buyer's agreement.

Delivery Point: The point of interconnection between Buyer and the Plant at Buyer's Pleasant Hill substation.

Contract Price: Buyer's Avoided Cost of Supply (defined below); provided, however, that the Contract Price shall in no event exceed the "Into Cinergy" daily index price as quoted by Power Markets Weekly, plus the applicable transmission charges required to deliver the Product to the Missouri Public Service Control Area.

Buyer's Avoided Cost of Supply :

The cost that Buyer would otherwise incur to obtain the similar Energy for delivery to its native load. In situations in which the Buyer's native load offtake is less than the Buyer's available and reducible generation capacity, the avoided cost would be equal to the Buyer's marginal cost of generation. In situations in which the Buyer's native load offtake exceeds Buyer's available generation capacity, the avoided cost would be Buyer's cost to purchase substitute Energy on the open market. In situations where Energy being purchased on the open market can not be reduced and Buyer's generating units cannot be reduced, the avoided cost will be equal to the proceeds obtained by the Buyer from reselling the Seller's Energy into the existing market and the price received for such energy. The avoided costs will be calculated by the Buyer, and subject to audit and verification by the Seller.

Other Charges: N/A

Delivery Period: For the duration of the First Phase and the Second Phase (the time and duration of the First Phase and the Second Phase to be determined jointly by the Parties).

Special Conditions: In order to determine the Quantity of Product that is actually delivered to Buyer under this Transaction, the net electrical output will be measured by Seller's electricity metering devices located at the electricity metering point.

This confirmation letter is being provided pursuant to and in accordance with the Master Power Purchase and Sale Agreement dated 12/18, 2000 (the "Master Agreement") between Party A and Party B, and constitutes part of and is subject to the terms and provisions of such Master Agreement. Terms used but not defined herein shall have the meanings ascribed to them in the Master Agreement.

Party A

MEP Pleasant Hill, LLC

Name: Jimmy J. O'Brien
Title: COMPANY MANAGER
Phone No: 816-527-1789
Fax: 816-527-1006

Party B

Utilicorp United, Inc.

d/b/a Missouri Public Service

Name: John C. O'Brien
Title: VP Wholesale Operations
Phone No: 816-737-7831
Fax: 816-743-3831