



Aquila

FILED
December 19, 2007
Data Center
Missouri Public
Service Commission

Richard C. Green, Jr.
Chairman, President and
Chief Executive Officer

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December 7, 2006

Ag Proc Exhibit No. 303
Case No(s). EM-2007-0374
Date 12 5 07 Rptr PF

Dear Aquila Directors:

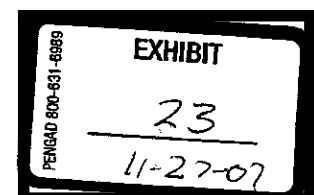
Tomorrow we will assemble in Kansas City to consider what action should be taken in regards to the preliminary proposal from Navy and National Guard to jointly acquire Aquila. The decision that **must** be made tomorrow is whether Aquila should agree to enter into exclusive negotiations with Navy and perhaps more importantly make a strategic decision toward how we sell this company to the benefit of our current shareholders. It continues to be clear that staying independent or stand alone is not a scenario that is plausible or should be considered. As you saw in the e-mail from Neala Hackett (Investor Relations), we also have the benefit of knowing our shareholder expectations. This is a group that does not care about a dividend or investment grade for that matter, but rather what kind of stock price appreciation can be achieved. They have made clear their patience but emphasize the outcome is to sell the company, which management agrees with. How can we best put value in the pocket of these holders? We will review the process to date and of course examine the preliminary proposal and the work we have done regarding this proposal.

Although the advisors will make specific recommendations to you, Fried Frank will remind you that there is no right or wrong answer and that a number of alternative outcomes can be reached through the exercise of your business judgment. Our discussions should include an assessment of the expected value of this proposal and its probability of closing. This should be considered in the context whether there are future options to sell the company that more closely match shareholder expectations..

At your disposal will be the analysis of Aquila management and multiple advisors, including presentations concerning:

- stand alone valuation from The Blackstone Group, Lehman Brothers and Evercore Partners;
- a review of the commercial terms of Navy's preliminary proposal;
- a preliminary assessment of the likelihood of receiving regulatory and other approvals necessary to complete the transaction;
- a preliminary assessment of the value of the consideration being offered;
- the prospects of Aquila shareholders in the pro forma company;
- an analysis of the terms of the draft merger agreement and asset sale agreement proposed by Navy and National Guard; and
- alternative courses of action.

Possible decision alternatives that could be made include:



- agree with the commercial terms as proposed, grant exclusivity and move ahead to do a deal;
- set exclusivity thresholds around terms such as price and price certainty;
- not grant exclusivity, but still attempt to get an above market price and improved commercial terms;
- terminate the process and start planning for the next process.

Whatever the Board's decision, as always my team stands ready to implement it to the best of our ability.

At the outset you should know that although there will be unanimous agreement that the Company should be sold in the near future, there will be differences between Aquila management and the advisors about the attractiveness of the specific proposal you will consider tomorrow. Those differences will be apparent in the discussions concerning (i) how current shareholders will view the proposal, (ii) the true value of the Navy proposal after factoring in the fixed exchange ratio and time value of money and (iii) the closing risk this transaction will face compared to that presented by other potential acquirers.

I must advise you that the level of detail we and our advisors will be able to present tomorrow falls short of what we would ordinarily expect to present in support of an important decision like this one. It is our expectation that Navy will be more forthcoming with the necessary data should you choose to continue the process with them.

I expect it will be a full and productive meeting and I look forward to our dialogue. Attached is the official agenda for the meeting.

Sincerely,

A handwritten signature in black ink, appearing to read "Rick", written in a cursive style.