

*Exhibit No.:*  
*Issues:* Combustion Turbines Evaluation;  
Construction Costs and In-Service;  
Interim Energy Charge; Capacity  
Planning/ Peaking Turbines  
*Witness:* Cary G. Featherstone  
*Sponsoring Party:* MoPSC Staff  
*Type of Exhibit:* Schedules to Surrebuttal Testimony  
*Case No.:* ER-2005-0436  
*Date Testimony Prepared:* December 13, 2005

**MISSOURI PUBLIC SERVICE COMMISSION**

**UTILITY SERVICES DIVISION**

**SCHEDULES TO  
SURREBUTTAL TESTIMONY**

**OF**

**CARY G. FEATHERSTONE**

**AQUILA, INC. d/b/a AQUILA NETWORKS-MPS (Electric)**

**AQUILA NETWORKS-L&P (Electric)**

**CASE NO. ER-2005-0436**

*Jefferson City, Missouri  
December 2005*

**\*\*Denotes Highly Confidential Information\*\***

**FILED**

**FEB 24 2006**

**Missouri Public  
Service Commission**

**NP**

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**CARY G. FEATHERSTONE**

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# Peaking Facility Update

An Update on Aquila's Peaking Facility

## Introducing our South Harper Newsletter Update:



Hello and welcome to our informational newsletter on Aquila's South Harper Peaking Facility. Our facility is located in a rural neighborhood in Cass County, Mo. To be honest, we have gotten off to a rough start with those who live in the community near the facility and efforts are underway to fix the noise and visual problems we created. In addition, there is a pending lawsuit that is awaiting a decision by the Missouri Court of Appeals, Western

District. In all likelihood the lower court decision will end up being appealed to the Missouri Supreme Court.

Regrettably, Aquila may end up in the position of having to tear down the South Harper Peaking Facility and rebuild in an alternative location. But while we are in the Cass County area, we want to keep our neighbors informed of activities at the facility and give those interested a way to communicate with us and get timely information.

As you read through this newsletter, if you have feedback you would like to share, please give us a call or send us a note via e-mail.

Sincerely,

Norma Dunn

Contact Norma via e-mail at [norma.dunn@aquila.com](mailto:norma.dunn@aquila.com) or call 816-467-3438.

## A Message from the Facility Manager:



As Norma noted, the ultimate fate of the South Harper Peaking Facility is in the hands of the courts, but while we are operational it is my responsibility to make sure it runs safely, efficiently and reliably.

I enjoy my job as facility manager and I have put a piece of myself into this place. I do not like coming to work every day knowing that what we do is making people mad and upset.

Communication and respect for others are critical. If we are allowed to stay, I promise to work tirelessly to minimize the impact on those who live here and to be a good neighbor. If you have an interest in seeing our facility, let us know... the coffee pot is always on.

Regards,

Tom Miller

Contact Tom via e-mail at [tom.miller@aquila.com](mailto:tom.miller@aquila.com) or call 816-467-3438.

**Neighborhood Meeting & Tour**  
Wednesday, Sept. 21  
See other side for additional details.

## About the South Harper Peaking Facility

Aquila's South Harper Peaking Facility is a natural gas fired peaking facility located in Cass County Mo.

Major construction was completed in June and the facility began generating electricity, but the process has not been without controversy and litigation is pending. South Harper has the ability to generate 341 megawatts of electricity when all three of its turbines are operational. The energy is used to serve the growing customer demand in Aquila's Missouri service territory.

## Website Updated

The South Harper Peaking Facility Web page is now updated with new features like a calendar of events, project enhancements and a daily forecast of planned operations. We will introduce new features such as facts and figures, questions and answers and a neighborhood section soon. The Web site is available at [www.aquila.com](http://www.aquila.com) or at [https://networks.aquila.com/south\\_harper/](https://networks.aquila.com/south_harper/). Those interested have the ability to subscribe and receive e-mail updates when new information is added to the site.



## Operational Notes

In June, the peaking facility became fully operational, but we still have a lot of finish work to do around the site.

We continue to landscape, complete our security fencing and are removing construction materials.

Our main focus is to reduce noise when the facility is generating electricity. Neighbors allowed us to take readings from their properties and have been providing us with information on the sounds they find frustrating. To date we have made initial equipment adjustments to all three units and tests indicate we have made some progress.

This month we will be working with ATCO, a noise expert, to identify ways to further reduce the turbine noise. We are also making onsite improvements by extending berms and planting additional trees and with input from South Harper neighbors, landscaping plans are being developed for other specific sites outside the facility.



**Aquila**

Providing Energy For Better Living.™

Schedule 1

**STANDARD  
& POOR'S**

**RATINGS DIRECT**

Return to Regular Format

## Research:

### Research Update: Aquila's \$300 Million Credit Facility Rating Raised To 'B+', Still On Watch Pos

Publication date: 17-Nov-2005  
Primary Credit Analyst: Jeanny Silva, New York (1) 212-438-1776;  
jeanny\_silva@standardandpoors.com

**Credit Rating:** B-/Watch Pos/B-3

#### ■ Rationale

On Nov. 17, 2005, Standard & Poor's Ratings Services raised its rating on diversified energy company Aquila Inc.'s (B-/Watch Pos/B-3) \$300 million five-year secured credit facility to 'B+' from 'B'. All of the ratings on Aquila remain on CreditWatch with positive implications, where they were placed Sept. 22, 2005.

As of September 2005, the Kansas City, Mo.-based company had about \$2 billion in total debt outstanding.

The upgrade follows the company's decision to amend its credit agreement such that debt secured by Aquila unit Missouri Public Service's regulated electric assets is restricted at effectively \$425 million (down from \$522 million) over the next five years. The recovery rating on the facility remains '1', which indicates the expectation for the full recovery of principal in the event of a payment default.

Union Bank of California is the administrative agent, issuing bank, and sole lead arranger. The aforementioned amendment enhances collateral coverage as defined by Standard & Poor's first mortgage bond criteria to 1.6x from 1.3x. The additional collateral coverage warrants a two-notch differential from the company's corporate credit rating (see recovery analysis section below).

The ratings on Aquila are on CreditWatch with positive implications reflecting the company's announcement that it is selling four utility businesses for a total of \$897 million, plus working capital and subject to net plant adjustments. If approved by the various regulatory commissions, the sales would provide an opportunity for debt reduction--potentially 30% of total adjusted debt.

Although the divestitures will likely reduce cash flows by about 30%, Standard & Poor's expects the sales to improve the company's financial profile overall. First, the company intends to use sales proceeds to pay down debt. The debt reduction is likely to alter the company's maturity schedule, which would reduce intermediate refinancing risk. The company has large debt maturities in 2009, half of which are related to a \$220 million term loan that can be prepaid with a modest penalty. Second, the asset sales involve three gas utilities. As such, the sales will reduce the company's working-capital requirements, which should improve liquidity. Post-sale, the company will serve 45% fewer gas customers.

Due to its speculative-grade status, the company must prepay its gas commodity suppliers and in certain cases post collateral. In an elevated commodity price environment, such prepay and posting requirements can be a significant drain on cash and alternative liquidity sources.

Standard & Poor's expects to resolve the CreditWatch listing upon the close of the asset sales, which are anticipated in the next 12 months once regulatory approvals have been obtained. Greater clarity regarding the amount and composition of debt to be retired should be available at that time. A rating upgrade would be contingent on an improved financial profile as stipulated above and on the company demonstrating an

Schedule 2-1

established trend of positive cash flows.

Over the past two years, the company has worked to stem material cash losses by exiting its noncore businesses and terminating its tolls and gas contracts. While the Elwood toll continues to drain \$37 million in cash per year and the company's merchant gas peakers barely cover their carrying costs, lower interest expense (due to the early premium income equity securities (PIEs) conversion) and pending rate cases in Iowa, Missouri, and Nebraska could reverse negative funds from operations. That said, an adverse outcome in the South Harper peaking facility lawsuit could negatively affect cash flows. The plaintiffs in the lawsuit are seeking the removal and relocation of a 315 MW gas peaking facility and substation that cost the company \$155 million to build.

Aquila is a diversified energy company with regulated and nonregulated businesses. The company operates regulated electric and natural gas distribution networks in seven Midcontinent states. Following the completion of its utility sales, Aquila will operate in only five states. The company has nonregulated electric generation assets in Illinois and Mississippi and also delivers gas and electricity under contracted and hedged legacy trading arrangements. The current ratings reflect the company's onerous debt burden and marginal funds from operations (FFO).

The company is aggressively leveraged. Adjusted debt to capital was 65% as of September 2005. Early conversion of its PIES in the third quarter of 2005 enabled Aquila to retire about \$341 million in debt and reduce annual interest expense by about \$23 million through 2007. The PIE conversion will be somewhat offset by an increase in leverage to fund Aquila's capital program, which includes participation in the Iatan 2 project. The company's \$300 million credit facility will secure Aquila's participation in the project. Aquila's debt burden results in heavy interest expense (currently in excess of \$200 million per year), which pressures its FFO.

#### **Short-term credit factors**

The short-term credit rating on Aquila is 'B-3'. The company's near-term liquidity is marginal, given negative FFO, material working-capital requirements, and an active capital program. Other items that might influence the company's short-term credit profile include the outcome of the South Harper peaking facility lawsuit and pending rate cases.

Aquila depends on unrestricted cash reserves and external financing to fund cash losses at its nonregulated operations, utility-related working-capital requirements, utility-related maintenance and growth capital-expenditure requirements (nearly \$240 million expected in 2005), and any further contract restructurings such as the termination of the Elwood toll. Unanticipated increases in the price of natural gas the company purchases for its utility customers could pressure liquidity in the winter months. Debt maturities are modest until 2009.

As of September 2005, the company had about \$230 million in unrestricted cash reserves and short-term investments. Currently, Aquila also maintains full availability under its \$110 million five-year unsecured revolving credit facility and its \$150 million four-year secured accounts receivable facility. The unsecured facility expires in September 2009 and the secured facility in April 2009. In April 2005, the company replaced a cash collateralized facility with a five-year credit agreement with a commercial lender, which conserves cash. Aquila had about \$28 million available under this agreement as of June 2005.

#### **Recovery analysis**

Aquila's \$300 million five-year secured credit facility is rated 'B+' with a recovery rating of '1', indicating the expectation for the full recovery of principal in the event of payment default. The recovery analysis focused exclusively on the value of collateral in a post-default scenario. Aquila has pledged the regulated electric

assets of Missouri Public Service. In Standard & Poor's view, the likelihood of liquidation in the event of a utility bankruptcy is remote. Over the past 50 years, no U.S. utility bankruptcy has ended in liquidation.

Therefore, when determining a utility's asset value in a post-default scenario, Standard & Poor's looks to the revenue stream that regulators allow a utility to collect. Even in bankruptcy, regulators tend to set rates high enough for a utility to recover prudently incurred fixed and operating costs. Regulators currently allow Missouri Public Service to earn a return on its rate base of about \$700 million. Standard & Poor's uses this amount as a proxy for the value of collateral pledged under the \$300 million secured credit facility.

In other words, when assessing the value of Missouri Public Service's assets pledged as collateral, Standard & Poor's assigns little to zero value to assets not yet operational (including the Iatan 2 assets to be built with proceeds from this facility) or to operational assets not yet in rate base (most notably the South Harper peaking plant). Regarding future anticipated assets, construction risk and cost review post construction make the timing and extent of rate recovery uncertain. Regarding the South Harper facility (operational since June 2005), pending litigation may require Aquila to dismantle the plant. The dismantling of the plant would prevent Aquila from recouping in rate base its previous investment until the plant is successfully relocated within Missouri.

Exclusive of collateral enhancements, first mortgage bonds are typically assigned the same rating as a firm's corporate credit rating. The decision to notch a utility's first mortgage bond rating above its corporate credit rating is based on Standard & Poor's estimate of collateral value relative to the maximum amount of first mortgage bonds allowed at any time under the terms of the company's indenture or other agreements. Through the term of the credit facility, Aquila's ability to issue first mortgage bonds is effectively capped at \$425 million. Specifically, its recent amendment to the bank facility credit agreement caps debt secured by Missouri Public Service's assets at \$350 million plus 50% of the amount of South Harper assets that the Missouri Commission has approved for inclusion in rate base. Collateral coverage of 1.6x (or \$700 million in assets over \$425 million in potential first mortgage bonds) allows Standard & Poor's to rate the secured credit facility two notches above Aquila's corporate credit rating.

The '1' recovery rating on the credit facility reflects the first mortgage bonds' strong structural provisions and an asset value to secured debt ratio of at least 1x. Strong structural provisions include the above limitation on additional secured debt and a 2-to-1 asset-to-loan test.

## ■ Ratings List

Aquila Inc.

Corporate credit rating

B-/Watch Pos/B-3

Rating Raised

\$300 mil 5-year sec'd credit fac

To

B+/Watch Pos

From

B/Watch Pos

Complete ratings information is available to subscribers of RatingsDirect, Standard & Poor's Web-based credit analysis system, at [www.ratingsdirect.com](http://www.ratingsdirect.com). All ratings affected by this rating action can be found on Standard & Poor's public Web site at [www.standardandpoors.com](http://www.standardandpoors.com); under Credit Ratings in the left navigation bar, select Find a Rating, then Credit Ratings Search.

Schedule 2-3

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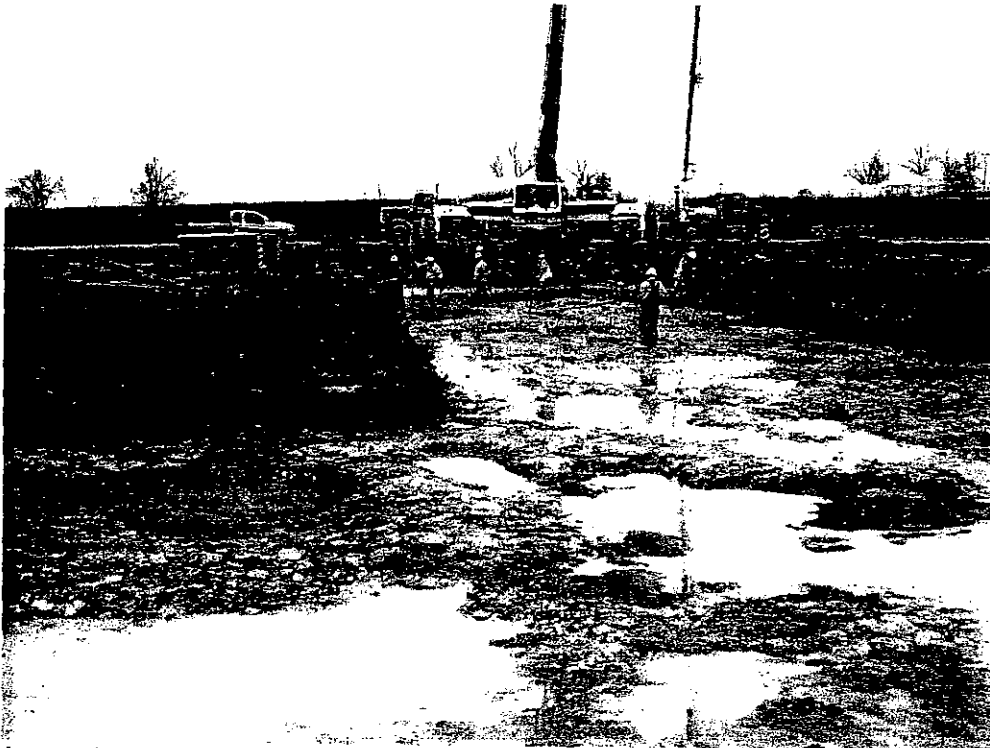


# **SOUTH HARPER PEAKING FACILITY CONSTRUCTION RECORD**

Air Permit Received: 12/29/2004

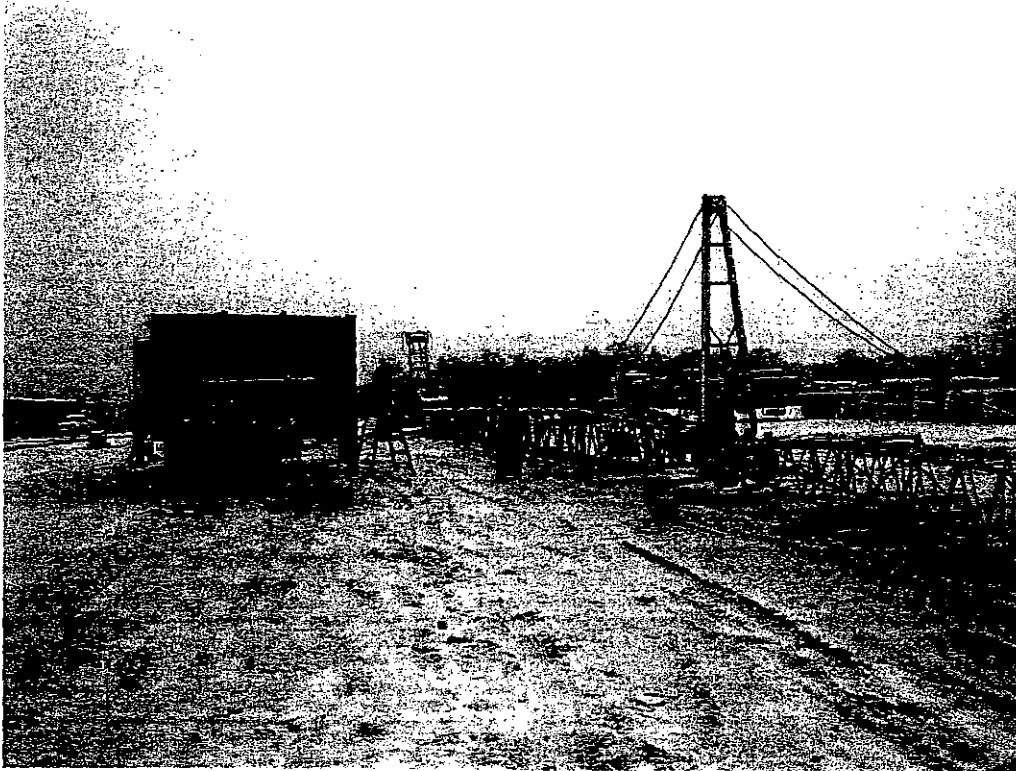


Site Mobilized: 1/04/2005



First Lean Concrete Mud Mat Poured: 1/04/2005

# **SOUTH HARPER PEAKING FACILITY CONSTRUCTION RECORD**



**First Stack Sections Arrived Onsite: 01/05/2005**

**First Building Permits Obtained (temporary power): 1/19/2005**

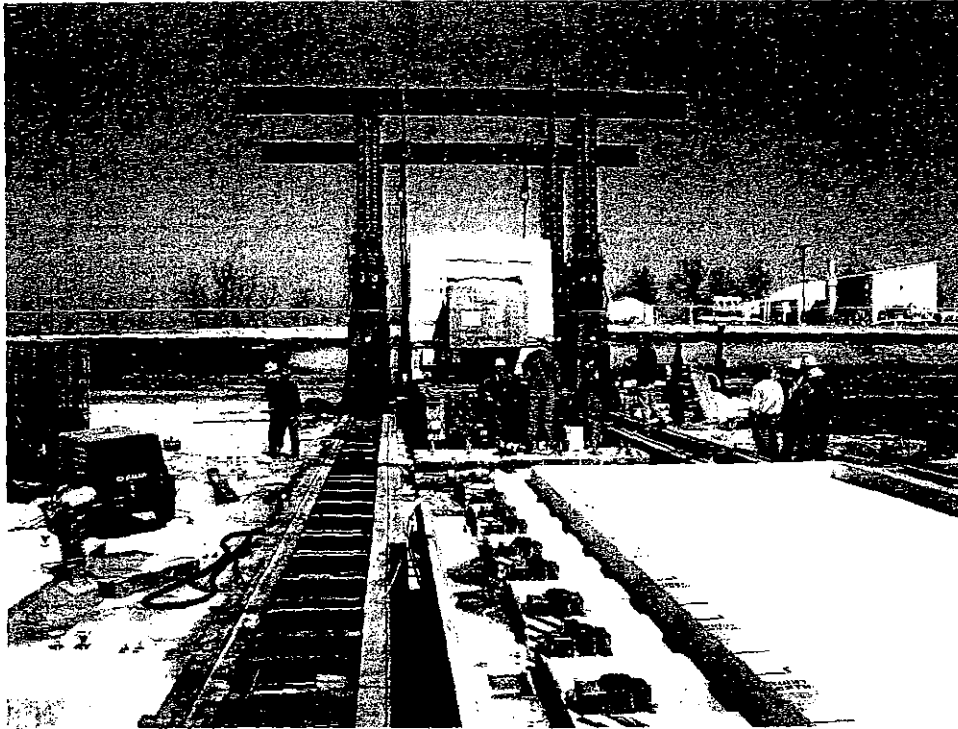


**Unit #3 Foundation Poured: 2/15/2005**

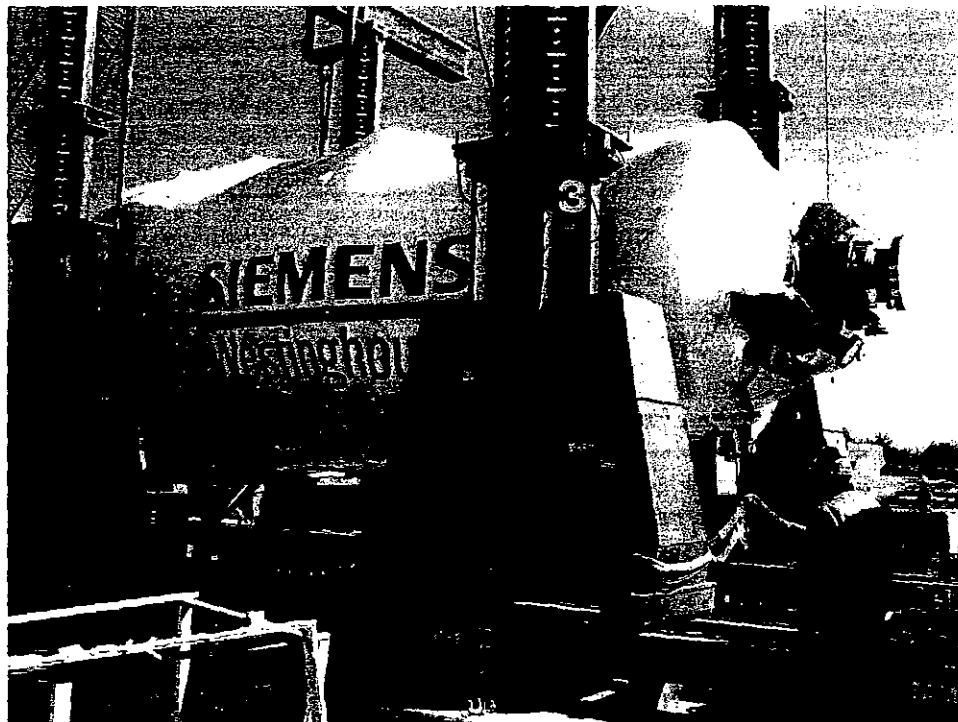
**Unit #2 Foundation Poured: 2/22/2005**

**Unit #1 Foundation Poured: 2/28/2005**

# **SOUTH HARPER PEAKING FACILITY CONSTRUCTION RECORD**



**Set Unit #3 Generator on Foundation: 03/04/2005**



**Set Unit #3 Turbine on Foundation: 03/10/2005**

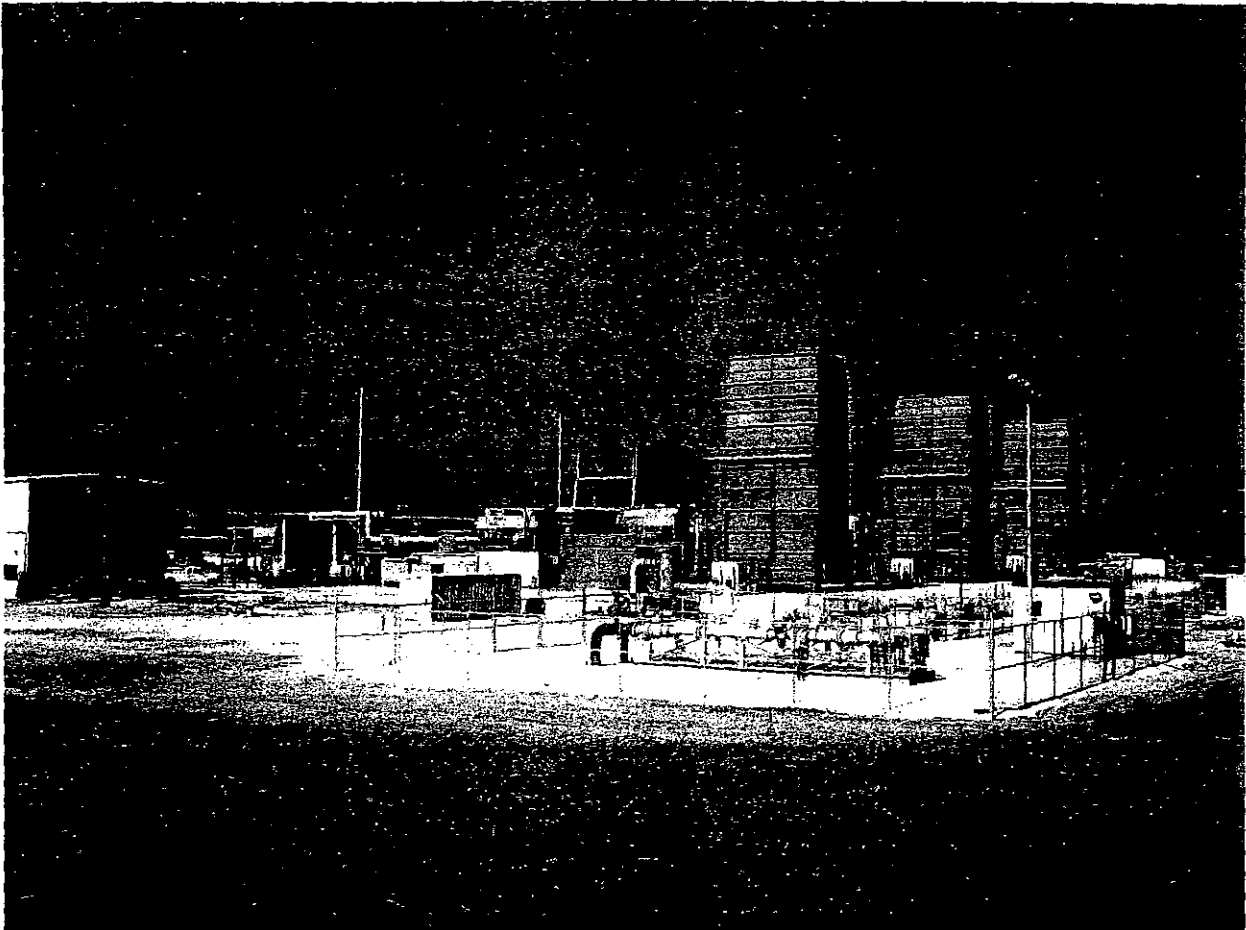
**Set Unit #2 Generator on Foundation: 03/16/2005**

**Set Unit #2 Turbine on Foundation: 03/19/2005**

**Set Unit #1 Generator on Foundation: 03/23/2005**

**Set Unit #1 Turbine on Foundation: 03/29/2005**

# **SOUTH HARPER PEAKING FACILITY CONSTRUCTION RECORD**



First Fire Unit #3: 06/17/2005 (100 days from setting turbine on foundation, includes weekends, rain or snow days and holidays)

First Fire Unit #2: 06/23/2005 (96 days from setting turbine on foundation, includes weekends, rain or snow days and holidays)

First Fire Unit #1: 07/08/2005 (102 days from setting turbine on foundation, includes weekends, rain or snow days and holidays)

First Synchronization to the Grid Unit #3: 6/20/2005

First Synchronization to the Grid Unit #2: 6/24/2005

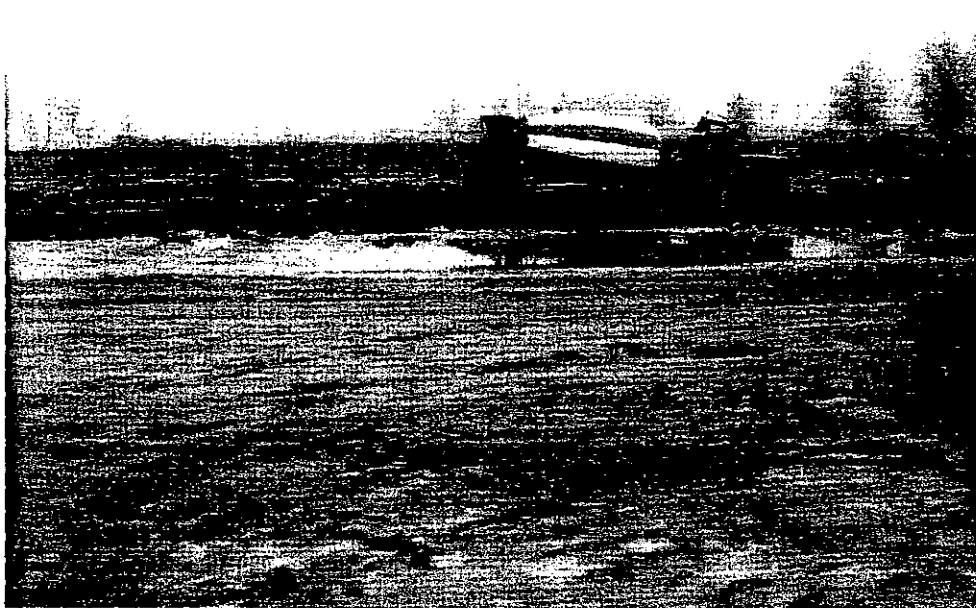
First Synchronization to the Grid Unit #1: 7/11/2005

Unit #3 Declared Commercial: 06/30/2005

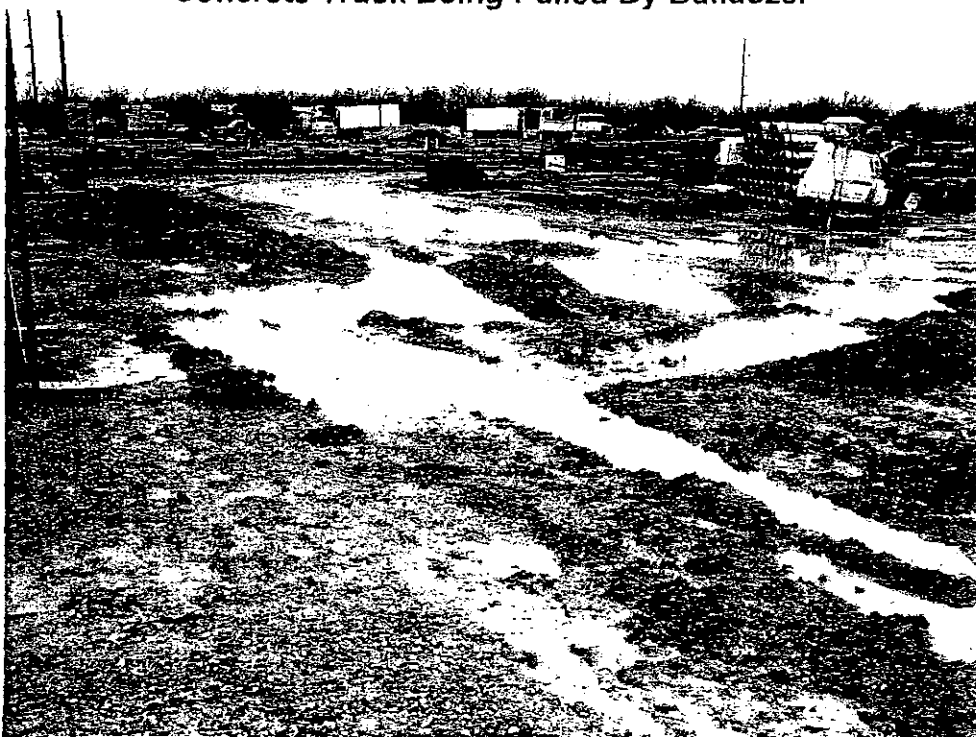
Unit #2 Declared Commercial: 07/01/2005

Unit #1 Declared Commercial: 07/12/2005

# **SOUTH HARPER PEAKING FACILITY CONSTRUCTION RECORD**



**Concrete Truck Being Pulled By Bulldozer**



**Wet and Muddy Conditions at the Site**

# **SOUTH HARPER PEAKING FACILITY CONSTRUCTION RECORD**



Site on 3/4/2005



Aerial View of Site on 06/27/2005

## **SOUTH HARPER PEAKING FACILITY CONSTRUCTION RECORD**

**Aquila Project Manager: Terry Hedrick**  
**Aquila Site Manager: Tom Miller**  
**Aquila Commissioning Lead: Dan Jones**  
**Aquila Substation: Leroy Lutes, Doug Lukenbill, Ralph Hammond and Todd Moore**  
**Kissick Construction Site Manager: Greg Cox**  
**AZCO Site Manager: Tom Moffitt**  
**Capital Electric Site Manager: Don Davis**  
**Vaughn Mechanical Site Manager: Morris Vaughn**  
**Electrical Corporation of America Project Manager: Andy Haun**  
**Electrical Corporation of America Site Manager: Tim Monachino**  
**Clayton Group Site Safety Consultant: Brent Caldwell**  
**SEGA Site Manager: James Spicer/Chris Rogers**  
**SEGA Site Commissioning Manager: Tim Everhart**  
**Siemens-Westinghouse Site Manager: Bob Mihancki**  
**Siemens-Westinghouse Commissioning Lead: Scott Philips**  
**GST Power Services Site Manager: Bill Plank**  
**Higgott-Kane Site Manager: Jim Johnson**  
**SEGA Engineers:**  
**Fred Woerner (Electrical/Civil)**  
**Jack Werthman (Electrical)**  
**Bridge Shah (Electrical)**  
**Nate Ninemire (Mechanical)**  
**Mike Blake (Civil)**  
**Walter Wilgus (Electrical)**  
**Siemens TFA Support:**  
**Don Jones (Mechanical)**  
**Pat Haley (Mechanical)**  
**Dave Reisch (Electrical)**  
**Mike Emmons (Electrical)**  
**Tim Lewis (Simadyn)**  
**James Whiteman (TXP)**  
**John Laban (TXP)**

# **SOUTH HARPER PEAKING FACILITY CONSTRUCTION RECORD**



Bill Plank, Chris Rogers, Tom Miller, Tim Everhart, Walter Wilgus, Greg Stevens



Bob Mihancki, Scott Phillips, Ken Smothers, Tom Grinlinton, Tim Monachino, Bill Plank, Chris Rogers, Tom Miller, Tim Everhart, Walter Wilgus, Greg Stevens



# **SOUTH HARPER PEAKING FACILITY CONSTRUCTION RECORD**



Tom Miller, Tim Everhart, Walter Wilgus, Greg Stevens, Tom Moffitt, Fred Woerner, Nathan Ninemire, Jack Werthman, Bridge Shah, Brent Caldwell, Bob Mihancki and Scott Phillips



Terry Hedrick

Schedules 4-1 through 4-15

Deemed

Highly Confidential

In Their Entirety

# NewsBrief – August 8, 2005

A daily summary of worldwide industry news and items of interest (all material copyrighted)  
Prepared by Aquila Corporate Communications – Contact Summer Turner, 816-467-3283 (summer.turner@aquila.com)

## Headlines

*Note: Click on the headline or page number below to go to a particular story; Aquila stories are marked with an \**

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### **\*Aquila Files Suit Against Utah Coal Company Over Tons Lost (SNLi)**

**SNL Interactive- 8-05-2005**

**By Bruce Cassell**

**Aquila Inc.** said Aug. 4 during an earnings conference call that it has filed suit against Utah coal supplier C.W. Mining Co., which halted coal shipments to the utility earlier this year. The loss of that coal supply, Aquila said, will cost the company up to \$5 million this year and double that amount in 2006.

This dispute began in April when C.W. Mining, which is owned by a Utah family, sent a notice to Aquila that it was terminating a contract under which it would have supplied 550,000 tons this year to Aquila's Lake Road and Sibley power plants. C.W. Mining, which had been shipping below contracted amounts prior to the termination, claimed force majeure under the contract due to a labor dispute.

On July 5, Aquila filed suit against the coal company in the U.S. District Court for Utah, saying the company had no justification to terminate the contract. Aquila is seeking an unspecified amount of damages. While Aquila said during the conference call that this three-year contract was due to expire at the end of 2006, it said in the court filing that it had already exercised an option in the contract to extend it for two extra years, to the end of 2008. That extension will apparently impact how much it will be seeking in damages, since it has lost almost four years of coal supply (April 2005-December 2008) due to this termination, not almost two years (April 2005-December 2006).

Aquila said in the lawsuit that it will have to pay a lot more money to replace this coal from other sources, but didn't put a specific figure on how much more it will have to pay. In the Aug. 4 earnings call, Aquila COO Keith Stamm said that the \$5 million it might lose this year because of the contract is based on the fact that it was getting only 30% of the deliveries under this contract at the time the deal was terminated.

Stamm said the actual loss figure is not firm. The final figure depends on what tonnage of cheaper Powder River Basin coal Aquila can burn in blends with bituminous coal to replace the lost C.W. Mining coal and also the cost of SO2 credits that have to be used to compensate for the sulfur content of the coal mix that will be burned in place of the C.W. Mining tonnage.

In a response to the lawsuit filed July 27 at the court, C.W. Mining said that it should be allowed to invoke force majeure since force majeure covers things like labor disputes. It did not detail the labor problem in the

court filing, but it has been involved in the last couple of years with a dispute involving the United Mine Workers of America and the National Labor Relations Board.

The company fired dozens of workers in 2004 because they were illegal immigrants, after the UMWA started organizing workers at its Utah mine. Those firings cut into its coal production ability. The UMWA said the company knew those workers were illegal for a long time and only fired them when they showed sympathy to the UMWA.

The NLRB held an election at the mine in December 2004, after ruling that a lot of the remaining workers, who are members of the Kingston family that owns the mine, could not have their votes counted. The NLRB is still sorting through various issues related to the election and has not certified any results yet.

In its July 27 answer, C.W. Mining filed a counterclaim. It said that it wants \$200,705 for coal that it did deliver to Aquila and was not paid for. It also wants damages, with the amount to be determined at trial, for money that it wasn't paid because of penalties and price adjustments imposed by Aquila. Judge Tena Campbell, who is handling this case, has not made any rulings yet.

The disputed contract represents about 25% of the burn at Sibley and Lake Road in Missouri. Sibley has three coal-fired units rated a total of 502 MW and Lake Road has two coal-capable units with a total capacity of 122 MW.

For more background on the labor dispute, the November 2004 NLRB decision that ordered the election is at: [http://www.nlr.gov/nlr/shared\\_files/decisions/dde/2004/27-RC-8326\(11-18-04\).pdf](http://www.nlr.gov/nlr/shared_files/decisions/dde/2004/27-RC-8326(11-18-04).pdf).

Aquila is headquartered in Kansas City, Mo., and serves a combined 1.3 million electricity and natural gas customers in seven Midwestern states.

#### Return to Headlines

\*\*\*\*\*

#### **\*Aquila Will File For New Rate With PSC (Blair, Nebraska) Washington County Pilot-Tribune & Enterprise- 8-05-2005**

Aquila, which provides natural gas to Blair and Arlington, has filed an application with the Nebraska Public Service Commission requesting a new natural gas filing process that the company says could result in smaller, more regular increases in customers' rates.

Aquila also requested increasing the residential and commercial customer charge by 47 cents per month, which represents a less than 1 percent increase in the annual bills.

The traditional method of recovering costs is filing a general rate case with the PSC. A general rate filing is expensive for all parties, including customers, and is time consuming, Aquila officials said.

"We continually work to find ways to hold down our operating costs," said Steve Pella, Nebraska vice president of operations at Aquila. "However, inflationary pressures have not been entirely offset by efficiency improvements. Aquila is responding to what we have heard from customers and public officials that if rate increases are necessary, they should be on a more regular and smaller percentage basis."

The request will increase annual revenue to Aquila by slightly more than one-half of 1 percent, or approximately \$1 million, Pella said.

Article Last Updated: 9/25/2004 02:40 AM

## Kingstons' mine sues over strike

By Pamela Manson  
The Salt Lake Tribune

Salt Lake Tribune

A mining company owned by the Kingston polygamous family filed suit Friday against miners who picketed the operation last year and more than 100 other individuals and groups that either spoke in support of the workers or published information about the labor dispute.

The 122 defendants targeted in the action include the United Mine Workers of America (UMWA); the Socialist Workers Party and its newspaper, *The Militant*; the Roman Catholic Church and Bishop George Niederauer of the Utah Diocese; Tapestry Against Polygamy; *The Salt Lake Tribune* and several of its editors and reporters; and other media organizations and journalists.

The plaintiffs are the C.W. Mining Company and the International Association of United Workers Union (IAUWA), which picketing workers claimed is a "yellow-dog" union run by members of the Kingston family.

The claims in the lawsuit include unfair labor practices, defamation, intentional interference with economic relations and civil conspiracy. The action, filed in U.S. District Court in Salt Lake City, seeks more than \$1 million in alleged lost profits and unspecified punitive damages.

About 75 workers, most of them Latino, say they were locked out of the Co-op Mine near Huntington in Emery County in September 2003 after talking about organizing themselves to negotiate better pay and working conditions.

The company claims it fired one worker who was talking up the UMWA and the rest of the miners left their jobs in sympathy. They were never locked out, the company says.

The workers returned to work this past July after the National Labor Relations Board brokered a deal in which the company admitted no wrongdoing. Under the agreement, the miners will get to decide whether to be represented by the IAUWA, the UMWA or no union at all.

[pmanson@sltrib.com](mailto:pmanson@sltrib.com)

NP

Schedule 4-18



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## Aquila disputes C.W. Mining termination of c contract

Reprinted from SNL Interactive - 5/4/2005

May 10, 2005 - Aquila Inc. is disputing an April letter from C.W. Mining Co. in UI that terminates a 550,000 ton/year contract to supply coal to the Sibley and Lak Road power plants in Missouri.

Aquila spokesman Al Butkus said the letter cites labor problems as the reason for termination. Aquila does not think this is valid under the force majeure provision in the contract and is disputing the termination. That dispute has not yet landed in said Butkus on May 4. Aquila said it is replacing this coal from other sources. A Mining official could not be reached for comment.

C.W. Mining, also known as Co-op Mining, has had labor problems for months. United Mine Workers of America has been trying to organize workers there. Last year the company fired a number of Hispanic workers because they did not have immigration papers. The UMWA said the company knew all along that those workers were illegal and only fired them when they showed UMWA sympathies. About 80 of those workers walked off the job last year and remain off, said a UMWA official May 4.

The company has had production problems for months due to this loss of workers. Butkus said that Aquila has gotten less than the full 550,000 tons/year it is due under its contract with C.W. Mining. That contract started in 2004 at 450,000 tons/year, moved up to 550,000 tons/year in 2005 and 2006. It is due to expire at the end of 2006. This coal represents about 25% of the burn at Sibley and Lake Road. Sibley has three coal-fired units rated a total of 502 MW, and Lake Road has two coal-capable units with a total capacity of 122 MW.

In May 2004, the UMWA petitioned the National Labor Relations Board for an organizing election at C.W. Mining and its Bear Canyon deep mine. It complained against the existing union, the International Association of United Workers, is a puppet company. The NLRB held an election in December, but it decided beforehand not to allow the votes of dozens of workers who are members of the Kingston family, who owns the mine. The company protested that decision, but that protest was rejected in January.

An NLRB official was unavailable for comment May 4 regarding the status of the case. UMWA spokesman Phil Smith said the board is still deciding whether to certify the ballots of the workers who were fired before last December's election, with a deadline for the board to make that decision and certify the election results. In that election, workers were given the option of voting for the UMWA, for the existing union or for no union at all.

Feedback: [Corporate Communications](#)

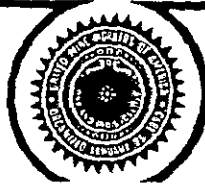
**NP**

Schedule 4-19

# United Mine Workers of America

INTERNATIONAL UNION  
8315 LEE HIGHWAY  
FAIRFAX, VA 22031-2215

TELEPHONE 703-208-7200  
FAX 703-208-7132



REGION IV ORGANIZING OFFICE  
6525 W. 44TH AVENUE  
WHEAT RIDGE, CO 80033

TELEPHONE 303-425-7110  
FAX 303-425-0401

May 4, 2004

Mr. Mike Baker, BA  
IBEW Local 814  
2113 W. Broadway  
Sedalia, MO 65301

Dear Brother Baker:

On September 22, 2003, seventy four coal miners that work underground at the C.W. Mining Company's CO-OP (a/k/a/Bear Canyon Mine) mine were fired, escorted off of the mine property by sheriff's deputies, and subsequently locked out after they stopped work to protest the unlawful firing of co-worker Bill Estrada who was attempting to organize with the UMWA at the mine.

Estrada had been talking to his mostly immigrant fellow miners for months about organizing with the UMWA, in an effort to put an end to the brutal underground working conditions, starvation wages (\$5.25 to \$7.00 per hour), non-existent health care or pension benefits, and the constant threat of being deported if any miner contacted any state or federal mine safety, wage, and hour or workers compensation agency. Miners that were injured on the job were forced to work while injured. The cost of tools for everyday production of coal was deducted from the miners' paychecks. There are no separate bathing or toilet facilities for female employees and the miners are forced to use unsafe and defective machinery.

For years many of these workers have been forced into paying dues to a phony Company "union", where the mine superintendent is "President" of the local. All of which is enforced under the treat of discipline or deportation.

Since the firings and lock out, the miners have maintained an unfair labor practice picket at the mine gate, but C. W. Mining has scabbed out production with offers of \$20 per hour jobs.

**NP**

Schedule 4-20

Mr. Mike Baker, BA  
IBEW Local 814  
Page 2.

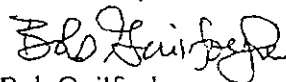
The October 13, 2003, issue of U.S. Coal Review (Issue #1459) stated that Aguila had recently signed a multiyear coal supply agreement with C.W. for the Sibley Plant. A letter from Aguila's Directors to C. W. Mining about putting an end to the abuse and mistreatment of these workers would be tremendous leverage in putting an end to this tragic labor dispute.

Mike, we could also send a locked out miner and UMWA representative to Aguila's headquarters for a meeting with the Company's principals if such an arrangement could be possible.

Enclosed please find news articles and related information about this labor dispute and the outlaw Kingston crime family that owns and operates C. W. Mining.

Thank you so much for your Solidarity and help.

In Solidarity,



Bob Guilfoyle  
International Representative  
UMWA Region IV

NP

Schedule 4-21



deseretnews.com

Deseret Morning News, Sunday, May 02, 2004

## Miners take on the Kingstons

By Adam Benson

Deseret Morning News

Bill Estrada worked as an underground coal miner at the Kingston-owned Co-Op mine in Huntington for nearly a year before he was fired last Sept. 22 for negligence.

At least that's the explanation Estrada says he was given after mine executives learned that he and 73 others were attempting to align themselves with the United Mine Workers of America — an international union of coal miners, coal technicians, truck drivers, health board employees and teachers — in an attempt to combat unsafe working conditions in the mine. The move, Estrada said, ultimately cost all 74 of them their jobs.

"They started framing people.

They used things like (claims of negligence) to target people," Estrada said.

More than a year later, the battle continues for the miners, who brought their cause to another Kingston-owned business Saturday in an attempt to draw attention to their accusations against the mine.

The miners and about 20 of their supporters blasted the Kingston family's business practices during a demonstration in front of A-1 Disposal, 624 N. 300 West.

The waste disposal company serves more than 5,000 customers throughout the Salt Lake Valley.

"We want people to know who they're doing business with," Utah Jobs With Justice spokesman George Neckel said.

Neckel's organization, along with the Utah chapter of the National Organization for Women, Code Pink and UMWA representatives were among the 30 or so pickets backing the miners' attempts to take on the Kingston family, which owns 106 businesses across the state.

According to Neckel, the Kingstons operate their businesses based strictly on the bottom line, with no regard for the safety or well-being of their employees.

"They're exploiting people, plain and simple. In my opinion, this looks very much like



John Daniel Kingston, left, confronts UMWA spokesman Mike Dalpiaz at protest.

Nichole Brandy, Deseret Morning News

organized crime," he said.

Though employees from A-1 Disposal wouldn't comment on the claims of exploitation, family member John Daniel Kingston said Saturday's protest was a personal attack and nothing more.



John Daniel Kingston photographs protesters outside the Kingston-owned A-1 Disposal in Salt Lake City.

Michael Brandy, *Deseret Morning News*

"This protest has nothing to do with A-1 Disposal. They're just persecuting the Kingston family. There is no substance to any of this," he said. He also said A-1's 30-person work force is not unionized, nor has it ever asked to join one.

But Estrada said that's not the case at Co-Op mine. While miners there make anywhere between \$5.25 and \$7 an hour — compared to the national average wage of \$18 an hour for underground miners in most other quarries — it's also the only mine in Utah that charges its miners for any tools they use, Estrada said. "It comes right out of our pay," he says.

What's more, Estrada said, the Kingston family treats its employees at other businesses much the same way it does the Co-Op miners.

"The Kingstons routinely use a slave labor force, and we want to put pressure on them through other companies to negotiate with them," he said.

In December 1998, North Salt Lake severed its ties with A-1 after the company received 245 state and federal safety violations since 1993.

On Saturday, John Kingston said employees of the company are satisfied. "We have the highest-paid drivers in the valley, and I've never heard any talks of a union before," he said.

Kingston, who spent 28 weeks in a Brigham City jail in June 1998 after beating his then-16-year-old daughter for fleeing her marriage to her uncle, also said the 74 miners fired last September staged an "illegal walkout" and that two or three employees are returning to the mine each day.

But that fact is disputed by at least one striking miner. "That's flat out not true," said Alyson Kennedy, a Co-Op striker and one of three women miners employed by the company.

Estrada said the family has rebuffed any efforts to forge an agreement and hasn't contacted Estrada or any other miner for seven months. He also said action like Saturday's protest will continue for as long as it takes.

UMWA spokesman Mike Dalpiaz said his organization has "people on the ground 24-7" working with the embattled miners in securing union benefits and a safe working environment.

"We're committed to this until they win," Dalpiaz said. "These people need justice, that's all there is. Nobody should be exploited the way these people have."

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Fax: (816) 421-5547

Attorneys for Plaintiff Aquila, Inc.

FILED IN UNITED STATES DISTRICT  
COURT, DISTRICT OF UTAH

JUL 05 2005

MARKUS B. ZIMMER, CLERK  
BY                       
DEPUTY CLERK

IN THE UNITED STATES DISTRICT COURT  
DISTRICT OF UTAH CENTRAL DIVISION

<p>AQUILA, INC.,</p> <p>Plaintiff,</p> <p>v.</p> <p>C.W. MINING, d/b/a CoOp Mining Company,</p> <p>Defendant.</p>	<p>COMPLAINT</p> <p>Judge Tena Campbell DECK TYPE: Civil DATE STAMP: 07/05/2005 @ 15:31:47 CASE NUMBER: 2:05CV00555 TC</p>
---	--

Aquila, Inc. ("Aquila"), by and through its undersigned attorneys, files this Complaint against C.W. Mining, d/b/a CoOp Mining Company ("C.W. Mining") and alleges as follows:

## **PARTIES**

1. Aquila is a Delaware corporation having its principal place of business in Missouri.
2. C.W. Mining is a Utah corporation having its principal place of business in Utah.

## **JURISDICTION AND VENUE**

3. This Court has subject matter jurisdiction over this action pursuant to 28 U.S.C. § 1332 because Aquila and C.W. Mining are incorporated in and have principal places of business in different states. Further, the matter in controversy exceeds the sum or value of \$75,000, exclusive of interest and costs.

4. The Court has personal jurisdiction over C.W. Mining.
5. Venue is proper before this Court pursuant to 28 U.S.C. § 1391(a).

## **BACKGROUND FACTS**

6. On or about September 10, 2003, Aquila and C.W. Mining entered into an agreement for the purchase by Aquila of coal produced by C.W. Mining (the "Agreement").

7. The Agreement has an initial term of three years, running from January 1, 2004, through December 31, 2006 (the "Primary Term"). The Agreement grants Aquila an option to extend the term of the Agreement for an additional two years, from January 1, 2007, through December 31, 2008 (the "Extension Term"). The option to extend the term has been exercised by Aquila.

8. Under the Agreement, C.W. Mining is to supply Aquila with certain stated quantities of coal with certain stated characteristics.

9. The price to be paid by Aquila for these amounts of coal is set forth in the Agreement.

10. C.W. Mining has breached the terms of the Agreement by failing and refusing to supply coal in the quantity and of the quality required by the Agreement.

11. By letter dated April 18, 2005, C.W. Mining informed Aquila that it was purportedly terminating the Agreement.

12. By letter dated April 25, 2005, Aquila demanded that C.W. Mining resume delivery of coal in the quantities provided in the Agreement and that C.W. Mining withdraw its purported notice of termination.

13. Despite Aquila's demand, C.W. Mining has failed and continues to fail to comply with the terms of the Agreement. Aquila hereby cancels the Agreement.

14. Since executing the Agreement in September 2003, the market price of coal has increased significantly over the price negotiated and incorporated into the Agreement.

#### **CAUSE OF ACTION--BREACH OF CONTRACT**

15. Aquila incorporates paragraphs 1 through 14 as if fully set forth herein.

16. Aquila and C.W. Mining entered into the Agreement under which C.W. Mining promised to supply certain quantities of coal to Aquila in exchange for payment by Aquila of an agreed price.

17. C.W. Mining has breached the terms of the Agreement by, among other things, failing and refusing to supply coal in compliance with the Agreement and by improperly repudiating the Agreement on April 18, 2005.

18. Aquila has duly and properly performed all of its obligations under the Agreement.

19. C.W. Mining's improper actions have caused and will cause Aquila damages, including but not limited to: (1) the difference between the negotiated price of coal in the Agreement and the cost of cover goods purchased by Aquila over the duration of the contract

(including the Extension Term) and all incidental or consequential damages incurred by Aquila related thereto, (2) damages for C.W. Mining's non-delivery of coal under the Agreement, and (3) other damages, all in an amount estimated to be in excess of \$75,000.

WHEREFORE, Aquila prays for judgment in its favor and against C.W. Mining on its complaint for all damages suffered and incurred by Aquila and for its attorneys' fees and costs incurred in this action, and for such other and further relief as the Court deems just and proper.

DATED this 5<sup>th</sup> day of July, 2005.

RAY QUINNEY & NEBEKER P.C.

By Allan T. Brinkerhoff  
Allan T. Brinkerhoff  
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Attorneys for Plaintiff Aquila, Inc.

Plaintiff's Address:  
10700 East 350 Highway  
Kansas City, MO 64138

829324

Schedule 6

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**AQUILA, INC.  
AQUILA NETWORKS-MISSOURI (ELECTRIC)  
CASE NO. ER-2005-0436  
MISSOURI PUBLIC SERVICE COMMISSION  
DATA REQUEST NO. MPSC-0289.1**

**DATE OF REQUEST:** September 15, 2005

**DATE RECEIVED:** September 15, 2005

**DATE DUE:** September 25, 2005

**REQUESTOR:** Graham Vesely

**REQUEST:**

Please provide a complete explanation for selecting Co-Op coal over West Ridge in spite of the fact that, as described in the response to DR 289, the source of West Ridge was a known supplier (parent company of GenWal) and was slightly less expensive than Co-Op.

**RESPONSE:**

I have spoken further with some of the relevant parties involved during the selection process to provide additional insight above and beyond the information contained within the original data request. Ultimately, the deciding factor between Co-Op versus West Ridge comes down to sulphur content including SO<sub>2</sub> allowance cost and operational considerations at Lake Road.

The sulphur content between the two coals is 0.93% with West Ridge being the higher of the two. As an example, at the time of evaluation, SO<sub>2</sub> allowance pricing was \$175.00 and this week is trading in excess of \$900.00. Choosing a higher sulphur product provides more adverse exposure to SO<sub>2</sub> allowance price volatility. If that same model used during the original evaluation is rerun using the \$900 allowance price, the West Ridge evaluation is approximately \$6M higher. SO<sub>2</sub> allowance pricing has increased steadily since these proposals. This further supports selecting the low sulphur product, Co-Op.

Lake Road Generating Station's operational consideration revolves around a Consent Decree with Missouri Department of Natural Resources which limits the emissions from Boilers 5 and 6. Since the plant relies on next day fuel analysis results to verify day-to-day compliance on Boiler 5 emissions, the plant makes every effort to not have a coal on the ground whose sulphur content meets or exceeds the emission limit in the case that it was accidentally filled with high Btu product instead of the low Btu (PRB) product.

**ATTACHMENT:** None

**ANSWERED BY:** Abby Herl

**DATE ANSWERED:** 09/22/05

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**AQUILA, INC.**  
**AQUILA NETWORKS-MPS-INVESTOR (ELECTRIC)**  
**CASE NO. EO-2005-0156**  
**MISSOURI PUBLIC SERVICE COMMISSION**  
**DATA REQUEST NO. MPSC-5**

**DATE OF REQUEST:** December 10, 2004

**DATE RECEIVED:** December 10, 2004

**DATE DUE:** December 29, 2004

**REQUESTOR:** Phil Williams

**BRIEF DISCRIPTION:** Please provide all appraisals of the plant site and the value of the combustion turbines.

**QUESTION:**

Please provide all workpapers that support the appraisals of the plant site and the value of the combustion turbines to be sold and then be leased back for the proposed plant at Peculiar, Missouri.

**RESPONSE:** See files on attached CD

**ATTACHMENT:** CD with 17 files

**ANSWERED BY:** Robert Brune

\_\_\_\_\_  
**SIGNATURE OF RESPONDENT**

**DATE:** \_\_\_\_\_

# Aquila CT Appraisal - Pricing Summary

Client No. 010144  
W/O No. 02-01362-01000  
Date 11/19/2004

CT	Qty	Original Cost	Replacement Cost	Aquila offer to sell to KCPL	Rolls Royce offer to sell to Aquila	SWPC offer to sell grey unit to Aquila	Penn Energy Internet offer 1	Penn Energy Internet offer 2	Utility Warehouse Internet offer
	3	\$76,137,969	\$24,500,000	\$69,000,000	\$43,000,000	\$19,000,000	\$28,000,000	\$33,000,000	\$15,000,000
Adjustments									
Option Payment									
CO No. 1 (Exhaust Stacks)									
CO No. 1 (Other)									
Warranty									
Guarantees									
Prod Mods									
Rehabilitation									
TFA									
Multi Unit Purchase									
Change to DLN									
Transportation									
Internal Labor									
Total Adjustments									
CT Subtotal*									
* adjusted for three units									
Transformers & Breakers									
Transformers									
Qty	6								
Cost		\$1,686,150	\$1,686,150	\$1,686,150	\$1,686,150	\$1,686,150	\$1,686,150	\$1,686,150	\$1,686,150
Adjustments									
Storage									
Relaying									
Additional Retainage									
Transformer Subtotal									
Breakers									
Qty	3								
Cost		\$765,570	\$765,570	\$765,570	\$765,570	\$765,570	\$765,570	\$765,570	\$765,570
Adjustments									
Bond									
Storage									
Breakers Subtotal									
Procurement									
Cost									
Adjustment									
B&M Services									
Procurement Subtotal									
Transformers & Breakers Subtotal									
Total									

Schedule 13

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# Rolls-Royce

Rolls-Royce Power Ventures Inc.  
89 Headquarters Plaza, Suite 355  
Morristown, New Jersey 07960  
Telephone: (973) 631-6190  
Fax: (973) 631-6191

September 23, 2004

David Kreimer  
Director of Engineering  
c/o Aquila, Inc  
10700 E. Highway 350  
Kansas City, Mo. 64138  
Phone: 816-737-7843  
PC Fax: 816-743-3843

Via E-mail

**Subject:     Sale of 2 x Siemens Westinghouse W501D5A Gas Turbines**

Dear Mr. Kreimer,

In November of 2000 Capuava Cogeração Limitada, a Brazilian subsidiary of our parent company Rolls-Royce Power Ventures Ltd. (hereinafter collectively referred to as "RRPV"), entered into an equipment supply contract with Siemens Westinghouse Power Corporation ("SWPC") for two steam injected (non-DLE) W501D5A combustion turbine generators and their associated auxiliaries (the "CTG's"). In March of 2002, due to a softening of the Brazilian power market, RRPV opted to place the units in storage. The combustion turbine packages and auxiliaries are currently stored in two separate sites in Houston, Texas while the generator packages are stored in Germany. All of the equipment is stored and preserved by SWPC in accordance with the procedures set forth in their Preservation Storage Manual for ECONOPAC systems.

RRPV is pleased to provide this preliminary offer for the sale of the CTG's per the following terms:

Proposed

Transaction:     Purchase and Sale of the CTG's.

Buyer:            Aquila Inc

Seller:           RRPV

Price:            Forty-Three Million US Dollars (US\$43,000,000).

Form of

Payment:         Cash, on terms to be agreed.





# Rolls-Royce

---

**Scope of  
Supply:**

As per Attachment A, Supporting Information, in an "as is" condition.

SWPC has indicated that it is willing to convert the combustion system from steam injection to DLE, subject to agreement of price and terms by Buyer. Any such conversion shall be for Buyer's account.

**Exclusions:**

The Price and Scope specifically exclude the following:

- Equipment Warranty Renewal (original warranty expired March 27, 2004),
- SWPC Technical Field Assistance (required for warranty renewal), and
- transport from current storage sites.

**Terms and  
Conditions  
Of Sale:**

Any commitment to negotiate and conclude the contemplated transaction is subject to typical terms and conditions, including:

- the prior sale of the CTG's,  
mutually satisfactory documentation, including the execution of a binding Purchase and Sale Agreement, and
- approval by the Board of Rolls-Royce Power Ventures Ltd.

**Validity of  
Offer:**

Ninety (90) days, subject to prior sale of the CTG's.

We are excited about the opportunity to supply the CTG's. Should you have any questions, please contact the undersigned at +1 (973) 631-6193.

Sincerely,

**Rolls-Royce Power Ventures Inc.**



Robert S. Deobler  
Senior Development Manager



**Rolls-Royce**

---

## **Attachment A**

### **Supporting Information**

**2 x W501D5A**

**Combustion Turbine Generators**

**&**

**Auxiliaries**

**Rolls-Royce Power Ventures**



## 1. Supporting Information

Under our current agreement with SWPC the majority of information contained within the equipment supply contract is considered confidential and proprietary in nature. Below is a listing of all documentation supplied within this Attachment. Additional information may be provided upon request.

SWPC Reference No.	Document Description	Supplied
ESC	Equipment Supply Contract and all Change Orders thereto	No
Appx I	Scope of Supply and Division of Responsibility	No
Appx II	Technical Specification	No
Attachment 1	Document Submittal Schedule	No
Attachment 2	Expected Performance	No
	Expected Performance Data	No
	Typical Correction Curves	No
	Expected Auxiliary Power	No
	Sound Spectrum at Inlet and Exhaust	No
Attachment 3	Discussion of Combustion Turbine Performance Degradation	No
	Quality Plan and Typical Customer Witness Points	No
	Quality Program	No
	Quality Record Package Description	No
Attachment 4	Typical Inspection Plan	No
	Technical Field Assistance	No
Attachment 5	Training	No
Attachment 6	Preliminary Weights and Dimensions	No
Attachment 7	Maintenance Intervals	No
Attachment 8	Sellers Drawings	No
	General Arrangement	No
	Expansion Joint; Exhaust Transition	No
	Controls Configuration	No
	Electrical Single Lines	No
Attachment 9	Siemens Westinghouse Codes and Standards	No
Attachment 10	Interconnection Characteristics with Grid	No
Attachment 11	Generator Technical Data	No



**Rolls-Royce**

SWPC Reference No.	Document Description	Supplied
Attachment 12	21T5839, Attachment Specification for General Requirements for AC motors rated at or below 575 volts	No
Attachment 13	21T5839, Attachment Specification for General Requirements for AC motors rated above 575 volts	No
Attachment 14	H <sub>2</sub> O Specifications 22T1523	No
Attachment 15	Paint Specification, 22T0917	No
Attachment 16	Vendor List	No
Appx III	Payment and Termination Schedule	No
Appx IV	Warranty Data Sheet	No
Appx V	Test Protocols	No
Appx VI	Total Equivalent Operating Hours	No
Appx VII	Rolls-Royce Power Ventures Limited Guaranty	No
Appx VIII	Gas Fuel and Lubricating Oil Specifications	No
Appx IX	Initial Spare Parts Package	No
Appx X	Guaranteed Schedule Dates	No
Appx XI	Contract Pricing Summary and Options	No
Appx XII	(Not Used)	No
Appx XIII	Form of Retainage Bond	No
Appx XIV	Forms of Lien Release	No
Appx XV	Insurance	No

Schedule 15

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