

SERVICE AND OPERATION AGREEMENT

between

MID-KANSAS ELECTRIC COMPANY, LLC

and

_____ **ELECTRIC COOPERATIVE, INC.**

Dated

_____. _____, **2006**

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SCHEDULES

- A Required Insurance
- B Dispute Resolution
- C Facility
- D Service Territory

SERVICE AND OPERATION AGREEMENT

This Service and Operation Agreement is entered into as of _____, _____, 2006, by Mid-Kansas Electric Company, LLC ("**Owner**"), a Kansas limited liability company, and _____ Electric Cooperative, Inc, a Kansas rural electric cooperative ("**Operator**").

BACKGROUND

A. Owner has entered into an Asset Purchase Agreement, dated September 21, 2005 (the "**Acquisition Agreement**") with Aquila, Inc. ("**Aquila**") pursuant to which Owner intends to acquire the electric distribution assets, real property and certified territory described in Schedule C attached hereto (collectively, the "**Facility**").

B. Owner desires to engage Operator to operate, service the electric customers in the Service Territory and maintain the Facility on and after the date on which it is acquired by Owner (the "**Acquisition Date**") and Operator desires to do so.

AGREEMENT

In consideration of the background and the mutual covenants, undertakings and conditions set forth below, the parties, intending to be legally bound, agree as follows:

ARTICLE 1 DEFINITIONS

1.1 Definitions. Unless otherwise expressly defined herein, each of the following capitalized terms has the meaning given to it in this Section 1.1.

Annual Budget has the meaning given to it in Section 4.1.

Applicable Law means any law, regulation, requirement or order of any federal, State or local government agency, court or other governmental body, or the terms and conditions of any permit, license or governmental approval, applicable from time to time to the Facility or the performance of any obligations under this Agreement, any Owner Agreement or any other agreement entered into in connection therewith.

Acquisition Agreement has the meaning given to it in the Background.

Acquisition Date has the meaning given to it in the Background.

Aquila has the meaning given to it in the Background.

Change has the respective meanings given to them in Section 4.3.

Claims means claims or actions, threatened or filed, whether groundless or false, and the resulting losses, liabilities, damages, expenses, attorney's fees and court costs, whether incurred by settlement or otherwise.

Environmental Law means any Applicable Law relating to pollution or protection of human health or the environment, including ambient air, surface water, groundwater, wetlands, land surface or subsurface strata. Environmental Laws include the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended (42 U.S.C. § 9601 et seq.); the Hazardous Material Transportation Act, as amended (49 U.S.C. § 1801 et seq.); the Resource Conservation and Recovery Act, as amended (42 U.S.C. § 6901 et seq.); the Toxic Substances Control Act, as amended (42 U.S.C. § 7401 et seq.); the Clean Air Act, as amended (42 U.S.C. § 7401 et seq.); the Federal Water Pollution Control Act, as amended (33 U.S.C. § 1251 et seq.); the Clean Water Act of 1977, as amended (33 U.S.C. § 1251 et seq.); the Emergency Planning and Community Right-to-Know Act of 1986, as amended (42 U.S.C. §§ 11001 et seq., 11021 et seq., and 11041 et seq.); any similar state and local laws and, in each case, the regulations promulgated pursuant to such laws.

Events of Default has the meaning given to it in Section 7.1.

Facility has the meaning given to it in the Background.

Financing Agreements means the loan agreement, security agreement, and other related financing documents entered into between Owner and Lender.

Hazardous Substance means any material defined as a hazardous substance, pollutant or contaminant under any Environmental Law.

Lender means the financing institution or institutions making the Loan for the purchase and acquisition of the Facility.

Loan means the loan or loans made to Owner pursuant to the Financing Agreements.

Operating Expenses means all costs and expenses incurred by Operator in connection with the performance of the Services, including:

(a) (i) the amount of all wages and salaries that Operator directly pays to its permanent and temporary employees who are engaged in the performance of Services at the Facility during that period plus (ii) payroll taxes and employee benefits actually paid in addition to (rather than as a deduction from) such wages and salaries;

(b) general overhead and administrative expenses engaged in the performance of Services; and

(c) costs and expenses incurred in connection with:

(i) the procurement and delivery of goods and services and the administration of procurement contracts;

(ii) reactive, preventive and predictive maintenance and repairs;

- alterations;
- (iii) capital improvements, additions, replacements and
 - (iv) emergencies and Uncontrollable Circumstances;
 - (v) the use or consumption of water supply and wastewater discharge services, electric power, telephone and other utility-related services;
 - (vi) waste handling and disposal;
 - (vii) training personnel engaged to perform the Services;
 - (viii) travel and subsistence of personnel engaged in the performance of the Services;
 - (ix) obtaining and maintaining Required Insurance, including insurance policy premiums and deductibles and insurance premiums paid by Operator in connection with its general corporate insurance protection program to the extent such premiums relate to the Services;
 - (x) third-party legal, accounting and technical consulting related professional services;
 - (xi) Facility security;
 - (xii) obtaining, maintaining, renewing, extending and complying with permits;
 - (xiii) charge, fee, fine or penalty that is assessed by any governmental Authority against the Facility, Owner or a party or its affiliates for which Operator is not responsible pursuant to Section 5.4; and
 - (xiv) any and all assessments related to the Facility by a governmental authority, including sales and gross receipts taxes, duties and levies, except for those assessed against Operator as a result of its taxable net income.

Owner's Representative has the meaning given to it in Section 3.5.

Person means any individual, partnership, corporation, limited liability company, association, business, trust, government or political subdivision thereof, governmental agency or other entity.

Manager has the meaning given it in Section 2.3(b).

Policies and Procedures means the written policies and procedures implemented from time to time by the Board of Directors for the operation, accounting practices and management of the Service Territory and Facility.

Prudent Utility Practices means, at a particular time, any of the practices, methods, and acts engaged in or approved prior to such time by a significant portion of the electric utility industry for the operation or maintenance of facilities similar to the Facility, or any of the practices, methods, and acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired results at the lowest reasonable cost consistent with good business practices, reliability, safety and expedition. Prudent Utility Practices are not intended to be limited to the optimum practice, method, or act to the exclusion of all others, but rather to be a spectrum of possible practices, methods, or acts having due regard for, among other things, manufacturers' warranties, the requirements of Applicable Law and the requirements of this Agreement.

Required Insurance has the meaning given to it in Section 8.1(a).

Services has the meaning given to it in Section 2.1.

State means the State of Kansas.

Service Territory shall mean the specified service territory in Schedule D, attached hereto.

Uncontrollable Circumstances means events beyond the reasonable control of a party, including acts of God or of the public enemy, acts (including a change in law) of the government in either its sovereign or contractual capacity, fires, floods, epidemics, quarantine restrictions, freight embargoes, civil commotions, but excluding strikes and labor disputes. As used in this definition, "change in law" means the adoption, promulgation or modification or reinterpretation (including any change in enforcement policy and the imposition of any material conditions in connection with the issuance, renewal or modification of any official permit, license or approval) after the date of this Agreement of or to any Applicable Law.

Warranties means all warranties and guarantees applicable to the Facility provided by Aquila, vendors, suppliers or others.

1.2 Conventions. Unless otherwise specifically provided in this Agreement:

(a) Terms defined in the singular have the corresponding plural meaning when used in the plural, and terms defined in the plural have the corresponding singular meaning when used in the singular;

(b) References to agreements, certificates and other legal instruments include all subsequent amendments thereto, and changes to, and restatements or replacements of, such agreements, certificates or instruments that are duly entered into and effective against the parties thereto or their permitted successors and assigns;

(c) References to Persons include their permitted successors and assigns;

(d) The term “include,” “includes,” or “including” means, include, includes or including without limitation (as the case may be);

(e) References to schedules and sections mean the Schedules to, and Sections of, this Agreement;

(f) References to this Agreement mean this Agreement, including all Schedules;

(g) The term “day” means a calendar day and includes Saturdays, Sundays and holidays, except that, if any obligation to be performed under this Agreement falls due on a Saturday, Sunday or a holiday on which State banks are not open for business, the obligation shall be due on the next business day thereafter; and

(h) A reference to a statute or to a regulation issued by a governmental authority includes the statute or regulation in force as of the date hereof, together with all amendments and supplements thereto and any statute or regulation substituted for such statute or regulations.

ARTICLE 2 OPERATOR’S OBLIGATIONS

2.1 Operational Goals and Standards. Operator shall operate and maintain the Facility and perform the other duties described in this Agreement relating to the Facility and service of electric customers in the Service Territory (collectively, the “**Services**”) as described in this Agreement. Operator shall perform the Services in such manner so as to generate an acceptable level of revenues to Owner from operation of the Facility in accordance with Prudent Utility Practices and generally accepted standards in the industry for return on assets, including such Policies and Procedures, as mutually agreed to by the parties, and applicable and Annual Budget.

2.2 Permits, Licenses and Approvals.

(a) Operator shall assist Owner in obtaining, and Operator shall maintain, any permit, license or other governmental approval required to be obtained by Owner for the ownership or operation of the Facility. Upon notice thereof, Operator shall promptly submit notice to Owner of (i) any lapse, modification, termination or expiration of any license, permit, approval, authorization or consent issued or obtained for the Facility or the Services that may materially and adversely affect the Facility or the Services; and (ii) any refusal to grant, renew or extend any such license, permit, approval, authorization or consent that may materially and adversely affect the Facility or the Services. Operator shall provide Owner advance notice of any requirements for (A) renewal of any existing permits and (B) additional permits that may from time to time be required for the ownership and operation of the Facility, and shall prepare any applications in connection with, and take any additional action necessary to obtain, such renewals and additional permits in Owner’s name.

(b) Operator shall obtain, at its own expense, all licenses and permits as required, if any, to allow Operator or its personnel to perform the Services (as distinct from all licenses and permits required for the Facility).

2.3 Personnel.

(a) Operator shall provide all labor, and professional, supervisory and managerial personnel required to perform the Services and all key personnel shall be qualified and experienced in operating electric distribution facilities and servicing and delivering retail and wholesale electric power.

(b) On or before the date on which the Services begin, Operator shall by delivering notice to Owner appoint an individual representative (the “**Manager**”) authorized to represent Operator on all matters concerning this Agreement and the Services. Such appointment will remain in effect until such time as Operator notifies Owner of a replacement Manager. The initial appointment as well as any replacement of the Manager will be subject to the approval of Owner, which may not be unreasonably withheld.

2.4 Site Responsibilities

(a) Operator shall maintain the safety of the Facility.

(b) Operator shall provide maintain the Facility in good repair and in a neat and orderly condition to protect the Facility against deterioration and to maintain the aesthetic quality of the Facility.

2.5 Procurement and Inventories. Operator shall supply, or cause to be supplied, all goods and materials required to operate and maintain the Facility, except for the power supply which shall be provided by Owner.

2.6 Record keeping. Operator shall maintain complete operating records, logs and maintenance reports for the Facility. Owner, its representatives and its designees may have access to these records, logs and reports, provided that such access does not unreasonably interfere with Operator’s performance of the Services.

2.7 Limitations on Authority.

(a) In performing the Services, Operator shall enter into all contracts and purchase orders in its own name and will have no authority to enter into contracts or purchase orders as agent or on behalf of Owner without the consent of Owner.

(b) Notwithstanding any provision in this Agreement to the contrary, Operator may not, itself or through any agent, representative or contractor, without Owner’s consent, engage in any transaction on behalf of Owner in contravention of the Financing Agreements or take or agree to take any action in material variance with the Policies and Procedures or the applicable Annual Budget.

2.8 Shutdowns and Emergencies.

(a) If an emergency condition arises, Operator shall (i) promptly notify Owner and (ii) so long as Operator does not receive from Owner specific direction to the contrary, take reasonable steps consistent with Prudent Utility Practices and Applicable Law to preserve and protect the Facility and persons at the Facility and to overcome the emergency condition, restore the Facility and continue performance of the Services, all in a manner that minimizes lost revenues and the cost of restoration.

2.9 Hazardous Substances. Operator may not (a) accept delivery of, store, treat, or dispose of any Hazardous Substance, or permit any Hazardous Substance to be delivered, stored, treated or disposed of, at the Facility except for purposes and in amounts required for the normal operation of the Facility consistent in accordance with this Agreement or (b) cause, or allow to be caused, a release of any Hazardous Substance on, in or from the Facility if such release would violate, or result in any remediation or clean-up obligation under any Applicable Law.

ARTICLE 3 OWNER'S RESPONSIBILITIES

3.1 Access to Site. Owner hereby grants to Operator a continuing access to the Facility (subject to the terms of any easements) to the extent necessary to perform the Services. Owner, its agents and its invitees, may enter the Facility, provided that such entry does not unreasonably interfere with the Operator's performance of the Services.

3.2 Power Supply. Owner shall provide, and reserves the right to provide, all electric power supply in such amounts and at such times as necessary for Operator to perform the Services and provide electric power in the Service Territory in accordance with this Agreement.

3.3 Hazardous Waste. Owner will be responsible for all liabilities that arise from the existence of Hazardous Waste at the Facility for any reason other than (a) Operator's breach of its obligations under Section 2.9 or (b) Operator's negligence or misconduct.

3.4 Technical Information. Owner shall furnish or make available to Operator any reasonably required information that has been furnished by, or is available from, Aquila.

3.5 Owner Representative. Upon the Acquisition Date, Owner shall designate a representative (the "**Owner's Representative**") to act on behalf of Owner and with whom Operator may consult at all reasonable times and whose instructions, requests, and decisions will be binding on Owner as to all matters pertaining to this Agreement and the performance of Owner hereunder. Owner may change Owner's Representative at any time and from time to time by delivering notice to Operator.

3.6 Permits. On or before the Acquisition Date, Owner shall obtain all permits required by Applicable Law to operate and maintain the Facility and, subject to

Operator's performance of its obligations under Section 2.2, obtain additional permits required for ownership or operation of the Facility.

ARTICLE 4 ANNUAL BUDGET AND OPERATING PLAN

4.1 Annual Budget and Operating Plan.

(a) Operator shall prepare for Owner's review, comment and approval an Annual Budget in accordance with the Policies and Procedures. The Policies and Procedures shall address costs estimates for operation, capital expenditures, anticipated repairs and other budgeting information as required pursuant to the Policies and Procedures.

(b) If requested by Owner, Operator shall provide Owner with any cost information in Operator's possession from previous years. Owner shall review Operator's proposed budget. Owner and Operator shall meet to agree on a final budget. The approved budget (the "**Annual Budget**") will remain in effect throughout the applicable year, subject to revision only in accordance with the terms of Section 4.3.

4.2 Accounts and Reports. Operator shall provide such status reports as may be required by the Policies and Procedures

4.3 Changes.

(a) From time to time during the term of this Agreement, Owner may request a change in the then-current Annual Budget as may be authorized in accordance with the Policies and Procedures.

(b) Notwithstanding the provisions of Section 4.3(a), the Operator may implement a change without the Owner's approval if an emergency condition arises.

ARTICLE 5 COMPENSATION AND PAYMENT

5.1 Monthly Statements and Payments.

(a) No later than the 20th day of each month thereafter, the Operator shall submit a statement (the "Monthly Statement") to Owner for payment of the Operating Expenses by this Section.

(b) The first Monthly Statement will set forth the Operating Expenses that Operator incurred in the first month in which the Acquisition Date occurs.

(c) The second Monthly Statement and each month thereafter will set forth the Operating Expenses that Operator incurred in the previous month of operation.

(d) The Monthly Statement will (i) be in such form and detail as is required by the Policies and Procedures.

5.2 Annual Settlement Statement. Within 60 days after the end of each year, Operator shall deliver to Owner an annual settlement statement, which shall show the reconciliation of the Operating Expenses paid by Operator in such year.

5.3 Fines and Penalties. Operator shall pay for its own account all fines, penalties and other charges that may be assessed against Operator or Owner in connection with the operation or maintenance of the Facility by any governmental entity or by a counter-party to an Owner Agreement that are the result of Operator's gross negligence or willful misconduct. Otherwise, such fines and expenses shall be the responsibility to the Owner.

5.4 Accounting and Audit Rights.

(a) In accordance with the Policies and Procedures, Operator shall keep and maintain books, records, accounts and other documents sufficient to reflect accurately and completely all Operating Expenses and any other amounts that are the basis of a claim by Operator under this Agreement. Such records will include receipts, memoranda, vouchers, inventories, and accounts relating to the accounting for the Services, as well as summaries and reports setting forth in reasonable detail all reimbursable man-hours expended, payroll incurred and the monthly salary and hourly rates of employees whose payroll costs constitute Operating Expenses. Owner, its representatives, and a firm of independent auditors appointed by Owner or the Lender may have access, following reasonable notice, to all such records to verify any amounts claimed to be due and payable under this Agreement. Owner and the Lender may reproduce any such records, and Operator shall keep and preserve all such records for at least three years after the close of the year in which such costs were incurred or any longer period that may be required by Applicable Law or is necessary in connection with any tax audit or establishing any item on a future tax return.

(b) Operator shall, without incurring costs to third parties, cooperate with Owner's accountants and auditors in the preparation of Owner's annual audited financial statements and the federal, state and local income tax returns of Owner.

5.5 Lien Waivers. Operator shall secure and make available to Owner at Owner's request all waivers of liens necessary to keep the Facility free of liens from the suppliers of items of Operating Expenses.

**ARTICLE 6
TERM**

6.1 Term and Renewal.

(a) Unless terminated earlier by the mutual agreement of the parties, the term of this Agreement will begin on the Acquisition Date and continue in effect until the later of (i) 30 years from the Acquisition Date or (ii) such time as the Loan is no longer outstanding.

(b) Unless at least six months before the end of the initial term or any renewal term of this Agreement a party gives notice to the other party stating that the

party giving the notice does not want the term to be extended, this Agreement will automatically be extended for an additional term of five years.

6.2 Effect of Termination. Upon termination of this Agreement, the obligations of the parties will cease; provided that any obligation for the payment of money arising from the conduct of the parties pursuant to this Agreement prior to such termination and the parties' obligations under the following provisions will not be affected by such termination and will remain in full force and effect.

6.3 Facility Condition at End of Term.

(a) Upon termination of this Agreement, Operator shall leave the Facility in as good condition as on the Acquisition Date, normal wear and tear excepted.

(b) Upon termination of this Agreement, Operator shall leave the equivalent supply of spare parts, supplies, consumables, and other operating items. Operator shall deliver to Owner all materials and documents in its possession relating to the Facility. Owner may, in its sole discretion, assume and become liable for any contracts or obligations that Operator may have undertaken with third parties in connection with the Services, and Operator shall execute all documents and take all other reasonable steps requested by Owner necessary to assign to and vest in Owner all rights, benefits, interests and title in connection with such contracts or obligations.

6.4 Training of Owner Personnel. Upon termination of this Agreement, Operator shall, at the request of Owner, exercise good faith and due diligence to train any new operator engaged by Owner. In such case, Operator will be compensated for its direct costs in so doing and this Agreement will remain in full force and effect (except that, other than as specified in this Section 6.4, no compensation will be payable) until the first to occur of (a) the date on which a new operator selected by Owner has been trained to the reasonable satisfaction of Owner and (b) the date that is 90 days after the date on which this Agreement would otherwise have terminated but for the request of Owner under this Section 6.4 for Operator's training of a new operator.

**ARTICLE 7
DEFAULTS AND REMEDIES**

7.1 Events of Default. Each of the following shall be an "Event of Default" with respect to a party:

- (a) such party fails to pay amounts under this Agreement when due;
- (b) such party persistently fails to timely perform any material obligation under this Agreement;
- (c) such party violates, or allows a violation of, Applicable Law, which violation has a material adverse effect on the Facility; and
- (d) (i) such party becomes insolvent or bankrupt or ceases to pay its debts as they mature or makes an arrangement with or for the benefit of its creditors or

consents to or acquiesces in the appointment of a receiver, trustee or liquidator for any substantial part of its property; or (ii) a bankruptcy, winding-up, reorganization, insolvency, arrangement or similar proceeding instituted by or against such party under the laws of any jurisdiction, which proceeding has not been dismissed within 90 days; or (iii) any action or answer by such party approving of, consenting to, or acquiescing in, any such proceeding; or (iv) the levy of any distress, execution or attachment upon the property of such party that substantially interferes with such party's performance under this Agreement.

7.2 Remedies for Event of Default.

(a) If, within a period of 15 days after the non-defaulting party gives notice to the defaulting party that an Event of Default has occurred and is continuing under Section 7.1(a), the defaulting party has not remedied such Event of Default by payment in full, this Agreement will terminate upon notice thereof by the non-defaulting party to the defaulting party.

(b) If, within a period of 30 days after the non-defaulting party gives notice to the defaulting party that an Event of Default has occurred and is continuing under Section 7.1(b) or 7.1(c), the defaulting party has neither remedied nor has commenced and continued to pursue with due diligence a remedy for such Event of Default, this Agreement will terminate upon notice thereof by the non-defaulting party to the defaulting party.

(c) If an Event of Default has occurred under Section 7.1(d), this Agreement will terminate upon notice thereof by the non-defaulting party to the defaulting party.

7.3 Additional Remedies for Breach.

(a) If Operator fails to carry out any of its obligations under this Agreement and fails, within 15 days after receiving notice of such breach from Owner (or within such shorter time as Owner reasonably believes is prudent in light of the nature of the breach), Owner may, without prejudice to any other remedy it may have, cure such breach. Operator shall pay, upon demand, the costs reasonably incurred by Owner in exercising its rights under this Section and such exercise will not diminish any of Owners rights under Section 7.2 or any of the its other obligations under this Agreement.

7.4 Owner's Special Termination. Owner may by notice to Operator deliver within two months after the date Owner receives notice from the Lender requesting replacement of Operator in accordance with the Financing Agreements in connection with a default in performance of the Services by Operator, provided that Operator has been given any opportunity to cure such default as may be provided by the Financing Agreements.

7.5 Manner of Termination Payment. Within 60 days following termination of this Agreement under Article 6 or this Article 7, Owner and Operator shall reconcile all

amounts then due and payable to each other under this Agreement. Within 90 days after such reconciliation, Owner or Operator, as the case may be, shall make final payment in complete discharge of its obligations under this Agreement, except those obligations that survive the termination of this Agreement.

ARTICLE 8 INSURANCE

8.1 Types of Insurance.

(a) Operator shall obtain and maintain before beginning any Services the insurance described in Schedule A, provided such insurance is available on commercially reasonable terms and conditions ("**Required Insurance**"). Operator shall obtain and maintain any additional insurance coverage reasonably requested by Owner that is available on commercially reasonable terms and conditions.

(b) Operator shall carry all Required Insurance with insurance companies that are authorized to do business in the State. Operator shall carry all Required Insurance with insurance companies rated at least "A-" or its equivalent by the most current Best's Key Rating or another national rating organization or other comparable insurance companies having a minimum financial rating of least VI-\$25 million in policyholder surplus and acceptable to Owner.

(c) Operator shall annually provide to the Owner, and Lender if requested, certificates evidencing that all Required Insurance is in effect.

8.2 Waiver of Subrogation. Operator and Owner waive any and every claim for recovery from the other for any and all loss or damage to each other resulting from the performance of this Agreement, which loss or damage is covered by valid and collectible insurance policies to the extent that such loss or damage is recovered under such policies. Inasmuch as this mutual waiver will preclude the assignment of any such claim to the extent of such recovery, by subrogation (or otherwise) to an insurance company (or any other Person), Operator and Owner each agree to give to each insurance company that has issued, or may issue policies of insurance, notice of the terms of this mutual waiver, and to have such insurance policies properly endorsed, if necessary, to prevent the invalidation of such insurance coverage by reason of such waiver.

8.3 Insurance Proceeds; Third-Party Payments.

(a) If Operator receives proceeds from insurance or any other third party for any loss or claim in respect of which such a payment was made by Owner to Operator, Operator shall reimburse Owner for such payment from such proceeds.

(b) Operator shall use its reasonable efforts to effect the recovery of proceeds described in the preceding paragraph. Operator is not required under this paragraph to take any action if Operator and Owner agree that such action is not justified by the amount of any potential recovery, the likelihood of the recovery or the expense of such action. Owner shall pay all costs of obtaining any such recovery.

8.4 Operator's Liability for Loss. Except to the extent that loss or damage of or to the Facility is the result of Operator's negligence or misconduct, Operator's liability for any loss of or damage to the Facility, or any other property in the care, custody or control of Operator (including loss or damage to spare parts and materials) will be limited to the proceeds of Required Insurance and Owner hereby releases Operator from any loss, damage or expense in excess of such proceeds.

8.5 Subcontractors. Operator shall cause its subcontractors to carry commercially reasonable insurance consistent with industry standards.

ARTICLE 9 FURTHER AGREEMENTS

9.1 Limitation of Liability.

(a) The parties agree that the waivers and disclaimers of liability, indemnities, releases from liability, and limitations on liability expressed in this Agreement will survive termination or expiration of this Agreement, and will apply (unless otherwise expressly indicated), whether in contract, equity, tort or otherwise, even in the event of the fault, negligence, including sole negligence, strict liability, or breach of warranty of the party indemnified, released or whose liabilities are limited, and shall extend to the partners, principals, directors, officers and employees, agents and related or affiliated entities of such party, and their partners, principals, directors, officers and employees.

(b) Notwithstanding any other provision in this Agreement to the contrary, under no circumstance will Operator be liable for loss of profits, loss of revenue, loss of sale of power, loss of sale of steam, loss of sale of product, consequential damages, loss of use of the equipment or any associated equipment, Facilities or Services, downtime costs, costs of purchased or replaced power, or any other consequential, special, punitive, exemplary or incidental damages, including without limitation loss of income, even if the Operator could or should have reasonable foreseen damages.

9.2 Uncontrollable Circumstances.

(a) Notwithstanding anything to the contrary in this Agreement, Operator will not be liable to Owner for any failure or delay in performance of any obligation under this Agreement due an Uncontrollable Circumstance and any such failure or delay will not be an Event of Default of Operator.

(b) As a condition precedent to the right to claim the benefits of this Section 9.2, Operator shall promptly notify Owner by telephone or facsimile, on or after the date Operator first knew of the commencement of an Uncontrollable Circumstance. Additionally, Operator shall provide prompt notice of the end of the Uncontrollable Circumstance. Whenever an Uncontrollable Circumstance occurs, Operator shall, as quickly as possible, use reasonable efforts to eliminate the cause therefore, to reduce and to resume performance under this Agreement.

9.3 Indemnification.

(a) Operator shall defend, indemnify and hold harmless the Owner and its respective officers, directors, employees and agents from and against any and all Claims of third parties to the extent that any such Claims arise out of, or by reason of the Services performed herein except for Claims arising from the gross negligence or willful misconduct of the Owner, its respective officers, directors, employees or agents. In such event, Owner shall defend, indemnify and hold harmless the Operator and its respective officers, directors, employees and agents from and against any and all Claims of third parties to the extent that any such Claims arise out of, or by reason the gross negligence or willful misconduct of the Owner, its respective officers, directors, employees or agents.

(b) If a Person entitled to indemnification under this Section 9.3 (an “**Indemnified Party**”) receives notice or has knowledge of any Claim that may result in a claim for indemnification under this Section 9.3, it shall promptly give notice of such Claim to the other party (the “**Indemnifying Party**”) which must include a reasonably detailed description of the facts and circumstances relating to such Claim. Failure promptly to give such notice or to provide such information and documents will not relieve an Indemnifying Party of any obligation of indemnification it may have under this Section 9.3 unless such failure materially diminishes the Indemnifying Party’s ability to respond to such Claim. The parties shall consult with each other regarding and cooperate in respect of the response to and the defense of any such Claim and the Indemnifying Party, upon its acknowledgment in writing of its obligation to indemnify the Indemnified Party, will be entitled to assume and control the defense or to represent the interests of Indemnified Party, which will include the right to select and direct legal counsel and other consultants, appear in proceedings on behalf of the Indemnified Party and to propose, accept or reject offers of settlement; provided, however, that the Indemnified Party will have the right to retain separate counsel in respect of such Claim at its own expense unless the retention of such counsel has been specifically authorized by the Indemnifying Party.

9.4 Dispute Resolution.

(a) The parties shall resolve any dispute arising under this Agreement pursuant to the procedures set forth in Schedule B.

(b) Pending final resolution of any dispute (except a dispute regarding the cause for terminating this Agreement), the parties shall continue to fulfill their respective obligations under the Agreement.

(c) Except as provided in Section 5.2, following a party’s receipt of a notice of a dispute concerning the payment of money or the set-off of amounts due under this Agreement and during the pendency of such dispute, the amount in controversy will be required to be paid or set-off unless and until the dispute is resolved in favor of the party claiming entitlement to the disputed payment or right of set-off.

(d) Notwithstanding anything to the contrary in this Agreement, neither party will be required to await the resolution of dispute proceedings regarding the reasons for terminating this Agreement before exercising such party's termination rights. The provisions of paragraph (c), above, shall be applicable to any disputes regarding liabilities in connection with such termination.

9.5 Overdue Obligations to Bear Interest. Any amount owed to either party under this Agreement more than 30 days beyond the date such amount is due and payable under this Agreement will accrue interest each day thereafter such amount is not paid, at the prime interest rate as published in The Wall Street Journal on the first day that such sum becomes past due plus one and one-half percent.

9.6 Cooperation in Financing.

(a) Operator agrees to make available, subject to an appropriate confidentiality agreement, to the Lender and its consultants such information in Operator's control as may reasonably be requested.

(b) Operator acknowledges that the Lender will require the Loan to be secured by a first lien on the Facility and other assets of Owner, including a collateral assignment of this Agreement. Accordingly, Owner may assign this Agreement to the Lender as collateral in connection with the issuance of the Loan and any refinancing thereof without further consent of Operator. Operator agrees to execute a consent or similar document in connection with any such assignment.

9.7 Notifications. Each party shall notify the other party of any event that must be disclosed to the Lender or that might materially and adversely affect the Facility or the performance of a party under this Agreement promptly upon learning thereof.

9.8 Title to Property.

(a) Title to all materials, equipment, supplies, consumables, spare parts and other items purchased or obtained by Operator in connection with the Facility or performance of the Services will pass immediately to and vest in Owner upon the passage of title from the vendor or supplier thereof.

(b) All materials and documents prepared or developed by Operator or its employees, representatives or contractors in connection with the Facility or the performance of the Services, including all manuals, data, designs, drawings, plans, specifications, reports, and accounts will become the property of Owner when prepared, and Operator and its contractors may not use such materials and documents for any purpose other than the performance of the Services, without Owner's approval.

9.9 Further Assurances. The parties shall execute and deliver such additional documents and cause such additional action to be taken as may be reasonably necessary to carry out the purposes and intent of this Agreement.

9.10 Representations and Warranties. Each party represents and warrants that:

(a) it is a Kansas limited liability company in the case of Owner or a Kansas corporation in the case of Operator.

(b) it has the full power, authority and legal right to enter into and perform this Agreement, and its execution, delivery and performance hereof (i) will not violate any judgment, order, law or regulation applicable to it or any provisions of its formation documents and (ii) do not (A) conflict with, (B) constitute a default under or (C) except as specifically created hereby, result in the creation of any lien (except those liens incurred in connection with the financing of the acquisition of the Facility), charge, encumbrance or security interest upon any assets of its assets under any agreement or instrument to which it is a party or by which it or its assets may be bound or affected.

(c) no approval, authorization, order or consent of, or declaration, registration or filing with, any governmental authority is required for its valid execution and delivery of this Agreement except those that have been duly obtained or made.

(d) it has duly authorized, executed and delivered this Agreement and this Agreement constitutes its legal, valid and binding obligation, enforceable in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally, or by general equitable principles concerning remedies.

(e) there is no litigation or proceeding pending or, to its knowledge, threatened against or affecting it (i) challenging the validity of this Agreement, (ii) seeking to enjoin its performance hereunder or (iii) that, if adversely determined, would materially adversely affect its ability to perform hereunder.

ARTICLE 10 MISCELLANEOUS

10.1 Relationship of the Parties. Except as otherwise explicitly provided herein, no party to this Agreement will by virtue of this Agreement have any responsibility whatsoever with respect to services provided or contractual obligations assumed by any other party and nothing in this Agreement may be deemed to constitute any party a partner, agent or legal representative of any other party or to create any fiduciary relationship between or among the parties.

10.2 Assignment.

(a) This Agreement may not be assigned by either party without the consent of the other party except as provided in Section 9.6.

(b) This Agreement will be binding upon and inure to the benefit of the permitted successors and assigns of the parties pursuant to this Section 10.2. Any attempted assignment made contrary to this Section 10.2 will be void.

10.3 Waiver. No delay or failure to exercise a right resulting from any breach of this Agreement will impair such right or be construed to be a waiver thereof, but such right may be exercised from time to time and as often as may be deemed expedient. If

any representation, warranty or covenant in this Agreement is breached by either party and thereafter waived by the other party, such waiver will be limited to the particular breach so waived and may not be deemed to waive any other breach under this Agreement.

10.4 Entire Agreement; Modifications. This Agreement (a) constitutes the entire Agreement between the parties for the operation and maintenance of the Facility, superseding all prior agreements and negotiations, and (b) may be modified only by written agreement duly executed by both parties.

10.5 Severability. If any provision of this Agreement is, for any reason, determined to be invalid, illegal, or unenforceable in any respect, the parties shall negotiate in good faith and agree to such amendments, modifications, or supplements of or to this Agreement or such other appropriate actions as will, to the maximum extent practicable in light of such determination, implement and give effect to the intentions of the parties as reflected herein, and the other provisions of this Agreement will, as so amended, modified, or supplemented, or otherwise affected by such action, remain in full force and effect.

10.6 Headings. Captions and headings in this Agreement are for ease of reference only and do not constitute a part of this Agreement.

10.7 Governing Law. The laws of the State shall govern the validity, interpretation, construction and performance of this Agreement.

10.8 Venue. Owner and Operator shall bring any action, suit or proceeding arising out of this Agreement or any transaction contemplated hereby in a court of competent jurisdiction in the State and neither of them may object to the institution or maintenance of any such action, suit or proceeding in such courts based on improper venue, forum non conveniens or any other grounds relating to the appropriate forum for such action, suit or proceeding.

10.9 Counterparts. This Agreement may be executed in counterparts, each of which shall be an original instrument, but all of which together will constitute but one Agreement.

10.10 Notices. All waivers, notices, requests, demands, approvals or consents or other communications under this Agreement, other than day-to-day communications between the Manager and Owner's Representative, must be in writing and will be deemed given to a party if delivered in person or by recognized courier or by certified, postage-prepaid mail at the address for such party indicated below. Telephone and fax numbers and the e-mail addresses are for informational purposes only and may not be used to deliver any such notice, request, demand, approval, consent or other communication affecting this Agreement.

If to Owner:

Mid-Kansas Electric Company, LLC
Attn: President and CEO
301 West 13th Street
Hays, KS 67601
785-628-2845 Phone
785-623-3395 Fax

If to Operator:

_____ Electric Cooperative, Inc.
Attn: Manager

A party may change the address to which notice must be delivered by providing notice thereof to the other party.

IN WITNESS WHEREOF, the parties have executed this Service and Operation Agreement through their duly authorized officers as of the date first set forth above.

MID-KANSAS ELECTRIC COMPANY,
LLC

By: _____
Name: L. Earl Watkins, Jr.
Title: President and CEO

_____ ELECTRIC COOPERATIVE,
INC.

By: _____
Name:
Title: Manager

**SCHEDULE A
REQUIRED INSURANCE**

Insurance Requirements

Insurance Type	Minimum Coverage Amount
----------------	-------------------------

Workers Compensation:

Coverage A	Statutory
Coverage B	\$1,000,000 BI each Accident \$1,000,000 by Disease \$1,000,000 each Employee
Policy to Include:	"All States Endorsement"

General Liability:

Form	Occurrence
General Aggregate Limit	\$2,000,000
Products/Completed Operations	\$2,000,000 Aggregate Limit
Personal & Advertising Injury	\$1,000,000 Limit
Each Occurrence Limit	\$1,000,000 Limit
Fire Damage Limit (One Fire)	\$ 50,000 Limit
Medical Expense Limit (1 Person)	\$ 5,000 Limit

Commercial Automobile Liability:

Vehicle Coverage	All Owned, Non-Owned & Hired
Bodily Injury Liability	\$1,000,000 C.S. L.
Property Damage Liability	(Included)
Uninsured/Underinsured Motorists:	\$1,000,000 Per Accident

Umbrella Liability Policy:

The Operator shall maintain this insurance to protect Owner against all claims in excess of the limits provided under the workmen's compensations and employer's liability, business automobile liability and commercial general liability policies. The liability limits of the umbrella liability policy shall not be less than \$1,000,000.

Boiler Machinery and Property Insurance:

Property insurance usual and customary to the industry that protects the Owner's property against all risks of direct physical loss or damage and is provided by a carrier with experience in the electric utility sector. Carrier must have an A. M. Best rating of "A-" or better. Loss adjustments under this coverage shall be calculated on a replacement cost basis unless otherwise agreed to by owner. Deductibles to be determined and agreed to by both Owner and Operator.

SCHEDULE B
DISPUTE RESOLUTION PROCEDURES

If either party has a dispute or claim against the other party (a "Claim") that has not been resolved informally by the parties, that party will provide a written description of the Claim to the other party and both parties will make a good faith effort to resolve the Claim through non-binding mediation in accordance with the applicable rules of the American Arbitration Association. Each party will bear its own costs in the mediation, and the parties will equally share the mediator's fees and expenses. The mediation proceedings and negotiations will be confidential, will not exceed three consecutive business days, and will be treated as compromise and settlement negotiations for purposes of the applicable rules of evidence. If the parties are unable to resolve the claim, the parties may seek any right or remedy it may have at law or equity.

**SCHEDULE C
FACILITY**

[List of the facilities to be operated by Operator]

**SCHEDULE D
SERVICE TERRITORY**

[List of the service territory to be served by Operator]

SERVICE AND OPERATION AGREEMENT

between

MID-KANSAS ELECTRIC COMPANY, LLC

and

SUNFLOWER ELECTRIC POWER CORPORATION

Dated

_____, _____, 2006

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SCHEDULES

- A Required Insurance
- B Dispute Resolution
- C Facility

SERVICE AND OPERATION AGREEMENT

This Service and Operation Agreement is entered into as of _____, _____, 2006, by Mid-Kansas Electric Company, LLC (“**Owner**”), and Sunflower Electric Power Corporation, a Kansas corporation (“**Operator**”).

BACKGROUND

A. Owner has entered into an Asset Purchase Agreement, dated September 21, 2005 (the “**Acquisition Agreement**”) with Aquila, Inc. (“**Aquila**”) pursuant to which Owner intends to acquire the electric generating and transmission assets and real property described in Schedule C attached hereto (collectively, the “**Facility**”).

B. Owner desires to engage Operator to operate and maintain the Facility on and after the date on which it is acquired by Owner (the “**Acquisition Date**”) and Operator desires to do so.

AGREEMENT

In consideration of the background and the mutual covenants, undertakings and conditions set forth below, the parties, intending to be legally bound, agree as follows:

ARTICLE 1 DEFINITIONS

1.1 Definitions. Unless otherwise expressly defined herein, each of the following capitalized terms has the meaning given to it in this Section 1.1.

Annual Budget has the meaning given to it in Section 4.1.

Applicable Law means any law, regulation, requirement or order of any federal, State or local government agency, court or other governmental body, or the terms and conditions of any permit, license or governmental approval, applicable from time to time to the Facility or the performance of any obligations under this Agreement, any Owner Agreement or any other agreement entered into in connection therewith.

Acquisition Agreement has the meaning given to it in the Background.

Acquisition Date has the meaning given to it in the Background.

Aquila has the meaning given to it in the Background.

Change has the respective meanings given to them in Section 4.3.

Claims means claims or actions, threatened or filed, whether groundless or false, and the resulting losses, liabilities, damages, expenses, attorney’s fees and court costs, whether incurred by settlement or otherwise.

Environmental Law means any Applicable Law relating to pollution or protection of human health or the environment, including ambient air, surface water, groundwater, wetlands, land surface or subsurface strata. Environmental Laws include the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended (42 U.S.C. § 9601 et seq.); the Hazardous Material Transportation Act, as amended (49 U.S.C. § 1801 et seq.); the Resource Conservation and Recovery Act, as amended (42 U.S.C. § 6901 et seq.); the Toxic Substances Control Act, as amended (42 U.S.C. § 7401 et seq.); the Clean Air Act, as amended (42 U.S.C. § 7401 et seq.); the Federal Water Pollution Control Act, as amended (33 U.S.C. § 1251 et seq.); the Clean Water Act of 1977, as amended (33 U.S.C. § 1251 et seq.); the Emergency Planning and Community Right-to-Know Act of 1986, as amended (42 U.S.C. §§ 11001 et seq., 11021 et seq., and 11041 et seq.); any similar state and local laws and, in each case, the regulations promulgated pursuant to such laws.

Events of Default has the meaning given to it in Section 7.1.

Facility has the meaning given to it in the Background.

Facility Operation Manual means, collectively, the manuals relating to the operation of the Facility to be delivered by Aquila to the Owner pursuant to the Acquisition Agreement.

Financing Agreements means the loan agreement, security agreement, and other related financing documents entered into between Owner and Lender.

Hazardous Substance means any material defined as a hazardous substance, pollutant or contaminant under any Environmental Law.

Lender means the financing institution or institutions making the Loan for the purchase and acquisition of the Facility.

Loan means the loan or loans made to Owner pursuant to the Financing Agreements.

Operating Expenses means all costs and expenses incurred by Operator in connection with the performance of the Services, including:

(a) (i) the amount of all wages and salaries that Operator directly pays to its permanent and temporary employees who are engaged in the performance of Services at the Facility during that period plus (ii) payroll taxes and employee benefits actually paid in addition to (rather than as a deduction from) such wages and salaries;

(b) general overhead and administrative expenses engaged in the performance of Services; and

(c) costs and expenses incurred in connection with:

(i) the procurement and delivery of goods and services and the administration of procurement contracts;

- (ii) reactive, preventive and predictive maintenance and repairs;
- (iii) capital improvements, additions, replacements and alterations;
- (iv) emergencies and Uncontrollable Circumstances;
- (v) the use or consumption of water supply and wastewater discharge services, electric power, telephone and other utility-related services;
- (vi) waste handling and disposal;
- (vii) training personnel engaged to perform the Services;
- (viii) travel and subsistence of personnel engaged in the performance of the Services;
- (ix) obtaining and maintaining Required Insurance, including insurance policy premiums and deductibles and insurance premiums paid by Operator in connection with its general corporate insurance protection program to the extent such premiums relate to the Services;
- (x) third-party legal, accounting and technical consulting related professional services;
- (xi) Facility security;
- (xii) obtaining, maintaining, renewing, extending and complying with permits;
- (xiii) charge, fee, fine or penalty that is assessed by any governmental Authority against the Facility, Owner or a party or its affiliates for which Operator is not responsible pursuant to Section 5.4; and
- (xiv) any and all assessments related to the Facility by a governmental authority, including sales and gross receipts taxes, duties and levies, except for those assessed against Operator as a result of its taxable net income.

Owner's Representative has the meaning given to it in Section 3.5.

Person means any individual, partnership, corporation, limited liability company, association, business, trust, government or political subdivision thereof, governmental agency or other entity.

Plant Manager has the meaning given it in Section 2.3(b).

Policies and Procedures means the written policies and procedures implemented from time to time by the Board of Directors pertaining to the operation, accounting practices and management of the Facility.

Prudent Utility Practices means, at a particular time, any of the practices, methods, and acts engaged in or approved prior to such time by a significant portion of the electric utility industry for the operation or maintenance of facilities similar to the Facility, or any of the practices, methods, and acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired results at the lowest reasonable cost consistent with good business practices, reliability, safety and expedition. Prudent Utility Practices are not intended to be limited to the optimum practice, method, or act to the exclusion of all others, but rather to be a spectrum of possible practices, methods, or acts having due regard for, among other things, manufacturers' warranties, the requirements of Applicable Law and the requirements of this Agreement.

Required Insurance has the meaning given to it in Section 8.1(a).

Services has the meaning given to it in Section 2.1.

State means the State of Kansas.

Uncontrollable Circumstances means events beyond the reasonable control of a party, including acts of God or of the public enemy, acts (including a change in law) of the government in either its sovereign or contractual capacity, fires, floods, epidemics, quarantine restrictions, freight embargoes, civil commotions, but excluding strikes and labor disputes. As used in this definition, "change in law" means the adoption, promulgation or modification or reinterpretation (including any change in enforcement policy and the imposition of any material conditions in connection with the issuance, renewal or modification of any official permit, license or approval) after the date of this Agreement of or to any Applicable Law.

Warranties means all warranties and guarantees applicable to the Facility provided by Aquila, vendors, suppliers or others.

1.2 Conventions. Unless otherwise specifically provided in this Agreement:

(a) Terms defined in the singular have the corresponding plural meaning when used in the plural, and terms defined in the plural have the corresponding singular meaning when used in the singular;

(b) References to agreements, certificates and other legal instruments include all subsequent amendments thereto, and changes to, and restatements or replacements of, such agreements, certificates or instruments that are duly entered into and effective against the parties thereto or their permitted successors and assigns;

(c) References to Persons include their permitted successors and assigns;

(d) The term "include", "includes" or "including" means, include, includes or including without limitation (as the case may be);

(e) References to schedules and sections mean the Schedules to, and Sections of, this Agreement;

(f) References to this Agreement mean this Agreement, including all Schedules;

(g) The term "day" means a calendar day and includes Saturdays, Sundays and holidays, except that, if any obligation to be performed under this Agreement falls due on a Saturday, Sunday or a holiday on which State banks are not open for business, the obligation shall be due on the next business day thereafter; and

(h) A reference to a statute or to a regulation issued by a governmental authority includes the statute or regulation in force as of the date hereof, together with all amendments and supplements thereto and any statute or regulation substituted for such statute or regulations.

ARTICLE 2 OPERATOR'S OBLIGATIONS

2.1 Operational Goals and Standards. Operator shall operate and maintain the Facility and perform the other duties described in this Agreement relating to the Facility (collectively, the "**Services**") as described in this Agreement. Operator shall perform the Services in such manner so as to generate an acceptable level of revenues to Owner from operation of the Facility in accordance with Prudent Utility Practices and generally accepted standards in the industry for return on assets, including such Policies and Procedures, as mutually agreed to by the parties, and applicable Annual Budget.

2.2 Permits, Licenses and Approvals.

(a) Operator shall assist Owner in obtaining, and Operator shall maintain, any permit, license or other governmental approval required to be obtained by Owner for the ownership or operation of the Facility. Upon notice thereof, Operator shall promptly submit notice to Owner of (i) any lapse, modification, termination or expiration of any license, permit, approval, authorization or consent issued or obtained for the Facility or the Services that may materially and adversely affect the Facility or the Services; and (ii) any refusal to grant, renew or extend any such license, permit, approval, authorization or consent that may materially and adversely affect the Facility or the Services. Operator shall provide Owner advance notice of any requirements for (A) renewal of any existing permits and (B) additional permits that may from time to time be required for the ownership and operation of the Facility, and shall prepare any applications in connection with, and take any additional action necessary to obtain, such renewals and additional permits in Owner's name.

(b) Operator shall obtain, at its own expense, all licenses and permits, if any, as required to allow Operator or its personnel to perform the Services (as distinct from all licenses and permits required for the Facility).

2.3 Personnel.

(a) Operator shall provide all labor, and professional, supervisory and managerial personnel required to perform the Services and all key personnel shall be qualified and experienced in operating electric generating and transmission facilities such as the Facility.

(b) On or before the date on which the Services begin, Operator shall by delivering notice to Owner appoint an individual representative (the "**Plant Manager**") authorized to represent Operator on all matters concerning this Agreement and the Services. Such appointment will remain in effect until such time as Operator notifies Owner of a replacement Plant Manager. The initial appointment as well as any replacement of the Plant Manager will be subject to the approval of Owner, which may not be unreasonably withheld.

2.4 Site Responsibilities.

(a) Operator shall maintain the safety of the Facility and appoint one of its employees as a safety officer and delegate to such employee the responsibility of monitoring safety at the Facility.

(b) Operator shall maintain the Facility in good repair and in a neat and orderly condition to protect the Facility against deterioration and to maintain the aesthetic quality of the Facility.

2.5 Procurement and Inventories. Operator shall supply, or cause to be supplied, all goods and materials required to operate and maintain the Facility, except for coal, gas, water and power supply to run the generation units, which will be supplied by Owner.

2.6 Record keeping. Operator shall maintain complete operating records, logs and maintenance reports for the Facility. Owner, its representatives and its designees may have access to these records, logs and reports, provided that such access does not unreasonably interfere with Operator's performance of the Services.

2.7 Limitations on Authority.

(a) In performing the Services, Operator shall enter into all contracts and purchase orders in its own name and will have no authority to enter into contracts or purchase orders as agent or on behalf of Owner without the consent of Owner.

(b) Notwithstanding any provision in this Agreement to the contrary, Operator may not, itself or through any agent, representative or contractor, without Owner's consent, engage in any transaction on behalf of Owner in contravention of the Financing Agreements or take or agree to take any action in material variance with the Policies and Procedures or the applicable Annual Budget.

2.8 Shutdowns and Emergencies.

(a) Operator shall promptly notify Owner of any circumstance resulting in an unscheduled shutdown or interruption of operations in excess of four hours and

shall keep Owner reasonably informed of progress in restoring the Facility to normal operations.

(b) If an emergency condition arises, Operator shall (i) promptly notify Owner and (ii) so long as Operator does not receive from Owner specific direction to the contrary, take reasonable steps consistent with Prudent Utility Practices and Applicable Law to preserve and protect the Facility and persons at the Facility and to overcome the emergency condition, restore the Facility and continue performance of the Services, all in a manner that minimizes lost revenues and the cost of restoration.

2.9 Hazardous Substances. Operator may not (a) accept delivery of, store, treat, or dispose of any Hazardous Substance, or permit any Hazardous Substance to be delivered, stored, treated or disposed of, at the Facility except for purposes and in amounts required for the normal operation of the Facility consistent in accordance with this Agreement or (b) cause, or allow to be caused, a release of any Hazardous Substance on, in or from the Facility if such release would violate, or result in any remediation or clean-up obligation under any Applicable Law.

ARTICLE 3 OWNER'S RESPONSIBILITIES

3.1 Access to Site. Owner hereby grants to Operator a continuing access to the Facility (subject to the terms of any easements) to the extent necessary to perform the Services. Owner, its agents and its invitees, may enter the Facility, provided that such entry does not unreasonably interfere with the Operator's performance of the Services.

3.2 Coal, Gas, Water and Power Supply. Owner shall provide all coal, gas, water and power supply in such amounts and at such times as necessary for Operator to perform the Services in accordance with this Agreement.

3.3 Hazardous Waste. Owner will be responsible for all liabilities that arise from the existence of Hazardous Waste at the Facility for any reason other than (a) Operator's breach of its obligations under Section 2.9 or (b) Operator's negligence or misconduct.

3.4 Technical Information. Owner shall furnish or make available to Operator any reasonably required information that has been furnished by, or is available from, Aquila.

3.5 Owner Representative. Upon the Acquisition Date, Owner shall designate a representative (the "**Owner's Representative**") to act on behalf of Owner and with whom Operator may consult at all reasonable times and whose instructions, requests, and decisions will be binding on Owner as to all matters pertaining to this Agreement and the performance of Owner hereunder. Owner may change Owner's Representative at any time and from time to time by delivering notice to Operator.

3.6 Permits. On or before the Acquisition Date, Owner shall obtain all permits required by Applicable Law to operate and maintain the Facility and, subject to

Operator's performance of its obligations under Section 2.2(a), obtain additional permits required for ownership or operation of the Facility.

ARTICLE 4 ANNUAL BUDGET AND OPERATING PLAN

4.1 Annual Budget and Operating Plan.

(a) Operator shall prepare for Owner's review, comment and approval an Annual Budget in accordance with the Policies and Procedures. The Policies and Procedures shall address costs estimates for operation, capital expenditures, anticipated repairs and other budgeting information as required pursuant to the Policies and Procedures.

(b) If requested by Owner, Operator shall provide Owner with any cost information in Operator's possession from previous years. Owner shall review Operator's proposed budget. Owner and Operator shall meet to agree on a final budget. The approved budget (the "**Annual Budget**") will remain in effect throughout the applicable year, subject to revision only in accordance with the terms of Section 4.3.

4.2 Accounts and Reports. Operator shall provide such status reports as may be required by the Policies and Procedures.

4.3 Changes.

(a) From time to time during the term of this Agreement (i) Owner may request a change in the then-current Annual Budget, or otherwise in connection with the Services (a "**Change**") as may be authorized in accordance with the Policies and Procedures.

(b) Notwithstanding the provisions of Section 4.3(a), the Operator may implement a Change without the Owner's approval if an emergency condition arises.

ARTICLE 5 COMPENSATION AND PAYMENT

5.1 Monthly Statements and Payments.

(a) No later than the 20th day of each month thereafter, the Operator shall submit a statement (the "Monthly Statement") to Owner for payment of the Operating Expenses by this Section.

(b) The first Monthly Statement will set forth the Operating Expenses that Operator incurred in the first month in which the Acquisition Date occurs.

(c) The second Monthly Statement and each month thereafter will set forth the Operating Expenses that Operator incurred in the previous month of operation.

(d) The Monthly Statement will be in such form and detail as is reasonably required by the Policies and Procedures.

5.2 Annual Settlement Statement. Within 60 days after the end of each year, Operator shall deliver to Owner an annual settlement statement, which shall show the reconciliation of the Operating Expenses paid by Operator in such year.

5.3 Fines and Penalties. Operator shall pay for its own account all fines, penalties and other charges that may be assessed against Operator or Owner in connection with the operation or maintenance of the Facility by any governmental entity or by a counter-party to an Owner Agreement that are the result of Operator's gross negligence or willful misconduct. Otherwise, such fines and expenses shall be the responsibility to the Owner.

5.4 Accounting and Audit Rights.

(a) In accordance with the Policies and Procedures, Operator shall keep and maintain books, records, accounts and other documents sufficient to reflect accurately and completely all Operating Expenses and any other amounts that are the basis of a claim by Operator under this Agreement. Such records will include receipts, memoranda, vouchers, inventories, and accounts relating to the accounting for the Services, as well as summaries and reports setting forth in reasonable detail all reimbursable man-hours expended, payroll incurred and the monthly salary and hourly rates of employees whose payroll costs constitute Operating Expenses. Owner, its representatives, and a firm of independent auditors appointed by Owner or the Lender may have access, following reasonable notice, to all such records to verify any amounts claimed to be due and payable under this Agreement. Owner and the Lender may reproduce any such records, and Operator shall keep and preserve all such records for at least three years after the close of the year in which such costs were incurred or any longer period that may be required by Applicable Law or is necessary in connection with any tax audit or establishing any item on a future tax return.

(b) Operator shall, without incurring costs to third parties, cooperate with Owner's accountants and auditors in the preparation of Owner's annual audited financial statements and the federal, state and local income tax returns of Owner.

5.5 Lien Waivers. Operator shall secure and make available to Owner at Owner's request all waivers of liens necessary to keep the Facility free of liens from the suppliers of items of Operating Expenses.

**ARTICLE 6
TERM**

6.1 Term and Renewal.

(a) Unless terminated earlier by the mutual agreement of the parties, the term of this Agreement will begin on the Acquisition Date and continue in effect until the later of (i) 30 years from the Acquisition Date or (ii) such time as the Loan is no longer outstanding.

(b) Unless at least six months before the end of the initial term or any renewal term of this Agreement a party gives notice to the other party stating that the

party giving the notice does not want the term to be extended, this Agreement will automatically be extended for an additional term of five years.

6.2 Effect of Termination. Upon termination of this Agreement, the obligations of the parties will cease; provided that any obligation for the payment of money arising from the conduct of the parties pursuant to this Agreement prior to such termination and the parties' obligations under the following provisions will not be affected by such termination and will remain in full force and effect.

6.3 Facility Condition at End of Term.

(a) Upon termination of this Agreement, Operator shall leave the Facility in as good condition as on the Acquisition Date, normal wear and tear excepted.

(b) Upon termination of this Agreement, Operator shall leave the equivalent supply of spare parts, supplies, consumables, and other operating items. Operator shall deliver to Owner all materials and documents in its possession relating to the Facility. Owner may, in its sole discretion, assume and become liable for any contracts or obligations that Operator may have undertaken with third parties in connection with the Services, and Operator shall execute all documents and take all other reasonable steps requested by Owner necessary to assign to and vest in Owner all rights, benefits, interests and title in connection with such contracts or obligations.

6.4 Training of Owner Personnel. Upon termination of this Agreement, Operator shall, at the request of Owner, exercise good faith and due diligence to train any new operator engaged by Owner. In such case, Operator will be compensated for its direct costs in so doing and this Agreement will remain in full force and effect (except that, other than as specified in this Section 6.4, no compensation will be payable) until the first to occur of (a) the date on which a new operator selected by Owner has been trained to the reasonable satisfaction of Owner and (b) the date that is 90 days after the date on which this Agreement would otherwise have terminated but for the request of Owner under this Section 6.4 for Operator's training of a new operator.

**ARTICLE 7
DEFAULTS AND REMEDIES**

7.1 Events of Default. Each of the following shall be an "Event of Default" with respect to a party:

- (a) such party fails to pay amounts under this Agreement when due;
- (b) such party persistently fails to timely perform any material obligation under this Agreement;
- (c) such party violates, or allows a violation of, Applicable Law, which violation has a material adverse effect on the Facility; and
- (d) (i) such party becomes insolvent or bankrupt or ceases to pay its debts as they mature or makes an arrangement with or for the benefit of its creditors or

consents to or acquiesces in the appointment of a receiver, trustee or liquidator for any substantial part of its property; or (ii) a bankruptcy, winding-up, reorganization, insolvency, arrangement or similar proceeding instituted by or against such party under the laws of any jurisdiction, which proceeding has not been dismissed within 90 days; or (iii) any action or answer by such party approving of, consenting to, or acquiescing in, any such proceeding; or (iv) the levy of any distress, execution or attachment upon the property of such party that substantially interferes with such party's performance under this Agreement.

7.2 Remedies for Event of Default.

(a) If, within a period of 15 days after the non-defaulting party gives notice to the defaulting party that an Event of Default has occurred and is continuing under Section 7.1(a), the defaulting party has not remedied such Event of Default by payment in full, this Agreement will terminate upon notice thereof by the non-defaulting party to the defaulting party.

(b) If, within a period of 30 days after the non-defaulting party gives notice to the defaulting party that an Event of Default has occurred and is continuing under Section 7.1(b) or 7.1(c), the defaulting party has neither remedied nor has commenced and continued to pursue with due diligence a remedy for such Event of Default, this Agreement will terminate upon notice thereof by the non-defaulting party to the defaulting party.

(c) If an Event of Default has occurred under Section 7.1(d), this Agreement will terminate upon notice thereof by the non-defaulting party to the defaulting party.

7.3 Additional Remedies for Breach.

(a) If Operator fails to carry out any of its obligations under this Agreement and fails, within 15 days after receiving notice of such breach from Owner (or within such shorter time as Owner reasonably believes is prudent in light of the nature of the breach), Owner may, without prejudice to any other remedy it may have, cure such breach. Operator shall pay, upon demand, the costs reasonably incurred by Owner in exercising its rights under this Section 7.3 and such exercise will not diminish any of Owners rights under Section 7.2 or any of the its other obligations under this Agreement.

7.4 Owner's Special Termination. Owner may by notice to Operator deliver within two months after the date Owner receives notice from the Lender requesting replacement of Operator in accordance with the Financing Agreements in connection with a default in performance of the Services by Operator, provided that Operator has been given any opportunity to cure such default as may be provided by the Financing Agreements.

7.5 Manner of Termination Payment. Within 60 days following termination of this Agreement under Article 6 or this Article 7, Owner and Operator shall reconcile all amounts then due and payable to each other under this Agreement. Within 90 days

after such reconciliation, Owner or Operator, as the case may be, shall make final payment in complete discharge of its obligations under this Agreement, except those obligations that survive the termination of this Agreement.

ARTICLE 8 INSURANCE

8.1 Types of Insurance.

(a) Operator shall obtain and maintain before beginning any Services the insurance described in Schedule A, provided such insurance is available on commercially reasonable terms and conditions ("**Required Insurance**"). Operator shall obtain and maintain any additional insurance coverage reasonably requested by Owner that is available on commercially reasonable terms and conditions.

(b) Operator shall carry all Required Insurance with insurance companies that are authorized to do business in the State. Operator shall carry all Required Insurance with insurance companies rated at least "A" or its equivalent by the most current Best's Key Rating or another national rating organization or other comparable insurance companies having a minimum financial rating of least VI-\$25 million in policyholder surplus and acceptable to Owner.

(c) Operator shall annually provide to the Owner, and Lender if requested, certificates evidencing that all Required Insurance is in effect.

8.2 Waiver of Subrogation. Operator and Owner waive any and every claim for recovery from the other for any and all loss or damage to each other resulting from the performance of this Agreement, which loss or damage is covered by valid and collectible insurance policies to the extent that such loss or damage is recovered under such policies. Inasmuch as this mutual waiver will preclude the assignment of any such claim to the extent of such recovery, by subrogation (or otherwise) to an insurance company (or any other Person), Operator and Owner each agree to give to each insurance company that has issued, or may issue policies of insurance, notice of the terms of this mutual waiver, and to have such insurance policies properly endorsed, if necessary, to prevent the invalidation of such insurance coverage by reason of such waiver.

8.3 Insurance Proceeds; Third-Party Payments.

(a) If Operator receives proceeds from insurance or any other third party for any loss or claim in respect of which such a payment was made by Owner to Operator, Operator shall reimburse Owner for such payment from such proceeds.

(b) Operator shall use its reasonable efforts to effect the recovery of proceeds described in the preceding paragraph. Operator is not required under this paragraph to take any action if Operator and Owner agree that such action is not justified by the amount of any potential recovery, the likelihood of the recovery or the expense of such action. Owner shall pay all costs of obtaining any such recovery.

8.4 Operator's Liability for Loss. Except to the extent that loss or damage of or to the Facility is the result of Operator's negligence or misconduct, Operator's liability for any loss of or damage to the Facility, or any other property in the care, custody or control of Operator (including loss or damage to spare parts and materials) will be limited to the proceeds of Required Insurance and Owner hereby releases Operator from any loss, damage or expense in excess of such proceeds.

8.5 Subcontractors. Operator shall cause its subcontractors to carry commercially reasonable insurance consistent with industry standards.

ARTICLE 9 FURTHER AGREEMENTS

9.1 Limitation of Liability.

(a) The parties agree that the waivers and disclaimers of liability, indemnities, releases from liability, and limitations on liability expressed in this Agreement will survive termination or expiration of this Agreement, and will apply (unless otherwise expressly indicated), whether in contract, equity, tort or otherwise, even in the event of the fault, negligence, including sole negligence, strict liability, or breach of warranty of the party indemnified, released or whose liabilities are limited, and shall extend to the partners, principals, directors, officers and employees, agents and related or affiliated entities of such party, and their partners, principals, directors, officers and employees.

(b) Notwithstanding any other provision in this Agreement to the contrary, under no circumstance will Operator be liable for loss of profits, loss of revenue, loss of sale of power, loss of sale of steam, loss of sale of product, consequential damages, loss of use of the equipment or any associated equipment, Facilities or Services, downtime costs, costs of purchased or replaced power, or any other consequential, special, punitive, exemplary or incidental damages, including without limitation loss of income, even if the Operator could or should have reasonable foreseen damages.

9.2 Uncontrollable Circumstances.

(a) Notwithstanding anything to the contrary in this Agreement, Operator will not be liable to Owner for any failure or delay in performance of any obligation under this Agreement due an Uncontrollable Circumstance and any such failure or delay will not be an Event of Default of Operator.

(b) As a condition precedent to the right to claim the benefits of this Section 9.2, Operator shall promptly notify Owner by telephone or facsimile, on or after the date Operator first knew of the commencement of an Uncontrollable Circumstance. Additionally, Operator shall provide prompt notice of the end of the Uncontrollable Circumstance. Whenever an Uncontrollable Circumstance occurs, Operator shall, as quickly as possible, use reasonable efforts to eliminate the cause therefore, to reduce and to resume performance under this Agreement.

9.3 Indemnification.

(a) Owner shall defend, indemnify and hold harmless the Operator and its respective officers, directors, employees and agents from and against any and all Claims of third parties to the extent that any such Claims arise out of, or by reason of the Services performed herein except for Claims arising from the negligence of the Operator, its respective officers, directors, employees or agents. In such event, Operator shall defend, indemnify and hold harmless the Owner and its respective officers, directors, employees and agents from and against any and all Claims of third parties to the extent that any such Claims arise out of, or by reason the gross negligence or willful misconduct of the Operator, its respective officers, directors, employees or agents.

(b) If a Person entitled to indemnification under this Section 9.3 (an “**Indemnified Party**”) receives notice or has knowledge of any Claim that may result in a claim for indemnification under this Section 9.3, it shall promptly give notice of such Claim to the other party (the “**Indemnifying Party**”) which must include a reasonably detailed description of the facts and circumstances relating to such Claim. Failure promptly to give such notice or to provide such information and documents will not relieve an Indemnifying Party of any obligation of indemnification it may have under this Section 9.3 unless such failure materially diminishes the Indemnifying Party’s ability to respond to such Claim. The parties shall consult with each other regarding and cooperate in respect of the response to and the defense of any such Claim and the Indemnifying Party, upon its acknowledgment in writing of its obligation to indemnify the Indemnified Party, will be entitled to assume and control the defense or to represent the interests of Indemnified Party, which will include the right to select and direct legal counsel and other consultants, appear in proceedings on behalf of the Indemnified Party and to propose, accept or reject offers of settlement; provided, however, that the Indemnified Party will have the right to retain separate counsel in respect of such Claim at its own expense unless the retention of such counsel has been specifically authorized by the Indemnifying Party.

9.4 Dispute Resolution.

(a) The parties shall resolve any dispute arising under this Agreement pursuant to the procedures set forth in Schedule B.

(b) Pending final resolution of any dispute (except a dispute regarding the cause for terminating this Agreement), the parties shall continue to fulfill their respective obligations under the Agreement.

(c) Except as provided in Section 5.2, following a party’s receipt of a notice of a dispute concerning the payment of money or the set-off of amounts due under this Agreement and during the pendency of such dispute, the amount in controversy will be required to be paid or set-off unless and until the dispute is resolved in favor of the party claiming entitlement to the disputed payment or right of set-off.

(d) Notwithstanding anything to the contrary in this Agreement, neither party will be required to await the resolution of dispute proceedings regarding the

reasons for terminating this Agreement before exercising such party's termination rights. The provisions of paragraph (c), above, shall be applicable to any disputes regarding liabilities in connection with such termination.

9.5 Overdue Obligations to Bear Interest. Any amount owed to either party under this Agreement more than 30 days beyond the date such amount is due and payable under this Agreement will accrue interest each day thereafter such amount is not paid, at the prime interest rate as published in The Wall Street Journal on the first day that such sum becomes past due plus one and one-half percent.

9.6 Cooperation in Financing.

(a) Operator agrees to make available, subject to an appropriate confidentiality agreement, to the Lender and its consultants such information in Operator's control as may reasonably be requested.

(b) Operator acknowledges that the Lender will require the Loan to be secured by a first lien on the Facility and other assets of Owner, including a collateral assignment of this Agreement. Accordingly, Owner may assign this Agreement to the Lender as collateral in connection with the issuance of the Loan and any refinancing thereof without further consent of Operator. Operator agrees to execute a consent or similar document in connection with any such assignment.

9.7 Notifications. Each party shall notify the other party of any event that must be disclosed to the Lender or that might materially and adversely affect the Facility or the performance of a party under this Agreement promptly upon learning thereof.

9.8 Title to Property.

(a) Title to all materials, equipment, supplies, consumables, spare parts and other items purchased or obtained by Operator in connection with the Facility or performance of the Services will pass immediately to and vest in Owner upon the passage of title from the vendor or supplier thereof.

(b) All materials and documents prepared or developed by Operator or its employees, representatives or contractors in connection with the Facility or the performance of the Services, including all manuals, data, designs, drawings, plans, specifications, reports, and accounts will become the property of Owner when prepared, and Operator and its contractors may not use such materials and documents for any purpose other than the performance of the Services, without Owner's approval.

9.9 Further Assurances. The parties shall execute and deliver such additional documents and cause such additional action to be taken as may be reasonably necessary to carry out the purposes and intent of this Agreement.

9.10 Representations and Warranties. Each party represents and warrants that:

(a) it is a Kansas limited liability company in the case of Owner or a Kansas corporation in the case of Operator.

(b) it has the full power, authority and legal right to enter into and perform this Agreement, and its execution, delivery and performance hereof (i) will not violate any judgment, order, law or regulation applicable to it or any provisions of its formation documents and (ii) do not (A) conflict with, (B) constitute a default under or (C) except as specifically created hereby, result in the creation of any lien (except those liens incurred in connection with the financing of the acquisition of the Facility), charge, encumbrance or security interest upon any assets of its assets under any agreement or instrument to which it is a party or by which it or its assets may be bound or affected.

(c) no approval, authorization, order or consent of, or declaration, registration or filing with, any governmental authority is required for its valid execution and delivery of this Agreement except those that have been duly obtained or made.

(d) it has duly authorized, executed and delivered this Agreement and this Agreement constitutes its legal, valid and binding obligation, enforceable in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally, or by general equitable principles concerning remedies.

(e) there is no litigation or proceeding pending or, to its knowledge, threatened against or affecting it (i) challenging the validity of this Agreement, (ii) seeking to enjoin its performance hereunder or (iii) that, if adversely determined, would materially adversely affect its ability to perform hereunder.

ARTICLE 10 MISCELLANEOUS

10.1 Relationship of the Parties. Except as otherwise explicitly provided herein, no party to this Agreement will by virtue of this Agreement have any responsibility whatsoever with respect to services provided or contractual obligations assumed by any other party and nothing in this Agreement may be deemed to constitute any party a partner, agent or legal representative of any other party or to create any fiduciary relationship between or among the parties.

10.2 Assignment

(a) This Agreement may not be assigned by either party without the consent of the other party except as provided in Section 9.6.

(b) This Agreement will be binding upon and inure to the benefit of the permitted successors and assigns of the parties pursuant to this Section 10.2. Any attempted assignment made contrary to this Section 10.2 will be void.

10.3 Waiver. No delay or failure to exercise a right resulting from any breach of this Agreement will impair such right or be construed to be a waiver thereof, but such right may be exercised from time to time and as often as may be deemed expedient. If

any representation, warranty or covenant in this Agreement is breached by either party and thereafter waived by the other party, such waiver will be limited to the particular breach so waived and may not be deemed to waive any other breach under this Agreement.

10.4 Entire Agreement; Modifications. This Agreement (a) constitutes the entire Agreement between the parties for the operation and maintenance of the Facility, superseding all prior agreements and negotiations, and (b) may be modified only by written agreement duly executed by both parties.

10.5 Severability. If any provision of this Agreement is, for any reason, determined to be invalid, illegal, or unenforceable in any respect, the parties shall negotiate in good faith and agree to such amendments, modifications, or supplements of or to this Agreement or such other appropriate actions as will, to the maximum extent practicable in light of such determination, implement and give effect to the intentions of the parties as reflected herein, and the other provisions of this Agreement will, as so amended, modified, or supplemented, or otherwise affected by such action, remain in full force and effect.

10.6 Headings. Captions and headings in this Agreement are for ease of reference only and do not constitute a part of this Agreement.

10.7 Governing Law. The laws of the State shall govern the validity, interpretation, construction and performance of this Agreement.

10.8 Venue. Owner and Operator shall bring any action, suit or proceeding arising out of this Agreement or any transaction contemplated hereby in a court of competent jurisdiction in the State and neither of them may object to the institution or maintenance of any such action, suit or proceeding in such courts based on improper venue, forum non conveniens or any other grounds relating to the appropriate forum for such action, suit or proceeding.

10.9 Counterparts. This Agreement may be executed in counterparts, each of which shall be an original instrument, but all of which together will constitute but one Agreement.

10.10 Notices. All waivers, notices, requests, demands, approvals or consents or other communications under this Agreement, other than day-to-day communications between the Plant Manager and Owner's Representative, must be in writing and will be deemed given to a party if delivered in person or by recognized courier or by certified, postage-prepaid mail at the address for such party indicated below. Telephone and fax numbers and the e-mail addresses are for informational purposes only and may not be used to deliver any such notice, request, demand, approval, consent or other communication affecting this Agreement.

If to Owner:

Mid-Kansas Electric Company,
LLC
Atten: Chairman
1101 West Highway 36
PO Box 360
Norton, KS 67654
785-877-3323 Phone
785-877-3572 Fax
ple@prairielandelectric.com

If to Operator:

Sunflower Electric Power
Corporation
Atten: President and CEO
301 West 13th Street
PO Box 1020
Hays, KS 67601
785-628-2845 Phone
785-623-3395 Fax
ewatkins@sunflower.net

A party may change the address to which notice must be delivered by providing notice thereof to the other party.

IN WITNESS WHEREOF, the parties have executed this Service and Operation Agreement through their duly authorized officers as of the date first set forth above.

MID-KANSAS ELECTRIC COMPANY,
LLC

By: _____
Name: Allan Miller
Title: Chairman

SUNFLOWER ELECTRIC POWER
CORPORATION

By: _____
Name: L. Earl Watkins, Jr.
Title: President and CEO

**SCHEDULE A
REQUIRED INSURANCE**

Insurance Requirements

Insurance Type	Minimum Coverage Amount
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Workers Compensation:

Coverage A	Statutory
Coverage B	\$1,000,000 BI each Accident
	\$1,000,000 by Disease
	\$1,000,000 each Employee
Policy to Include:	"All States Endorsement"

General Liability:

Form	Occurrence
General Aggregate Limit	\$2,000,000
Products/Completed Operations	\$2,000,000 Aggregate Limit
Personal & Advertising Injury	\$1,000,000 Limit
Each Occurrence Limit	\$1,000,000 Limit
Fire Damage Limit (One Fire)	\$ 50,000 Limit
Medical Expense Limit (1 Person)	\$ 5,000 Limit

Commercial Automobile Liability:

Vehicle Coverage	All Owned, Non-Owned & Hired
Bodily Injury Liability	\$1,000,000 C.S. L.
Property Damage Liability	(Included)
Uninsured/Underinsured Motorists:	\$1,000,000 Per Accident

Umbrella Liability Policy:

The Operator shall maintain this insurance to protect Owner against all claims in excess of the limits provided under the workmen's compensations and employer's liability, business automobile liability and commercial general liability policies. The liability limits of the umbrella liability policy shall not be less than \$1,000,000.

Boiler Machinery and Property Insurance:

Property insurance usual and customary to the industry that protects the Owner's property against all risks of direct physical loss or damage and is provided by a carrier with experience in the electric utility sector. Carrier must have an A. M. Best rating of "A-" or better. Loss adjustments under this coverage shall be calculated on a replacement cost basis unless otherwise agreed to by owner. Deductibles to be determined and agreed to by both Owner and Operator.

**SCHEDULE B
DISPUTE RESOLUTION PROCEDURES**

If either party has a dispute or claim against the other party (a "Claim") that has not been resolved informally by the parties, that party will provide a written description of the Claim to the other party and both parties will make a good faith effort to resolve the Claim through non-binding mediation in accordance with the applicable rules of the American Arbitration Association. Each party will bear its own costs in the mediation, and the parties will equally share the mediator's fees and expenses. The mediation proceedings and negotiations will be confidential, will not exceed three consecutive business days, and will be treated as compromise and settlement negotiations for purposes of the applicable rules of evidence. If the parties are unable to resolve the claim, the parties may seek any right or remedy it may have at law or equity.

**SCHEDULE C
FACILITIES**

[List of the facilities to be operated by Operator]