Approved: March 7, 2007
Date

MINUTES OF THE HOUSE ENERGY AND UTILITIES COMMITTEE

The meeting was called to order by Chairman Carl Holmes at 9:00 A.M. on February 7, 2007 in Room 241-N of the Capitol.

All members were present.

Committee staff present:
- Mary Galligan, Kansas Legislative Research
- Dennis Hodgins, Kansas Legislative Research
- Jason Long, Revisor's Office
- Renae Hansen, Committee Assistant

Conferees appearing before the committee:
- Don Schnacke, Trans-Canada Oil
- Ron Gaches
- Karl Mueldener, Kansas Dept. Health and Environment
- Earnie Lehman, Midwest Energy

Others attending:
Twenty nine including the attached list.

Wes Weston, (Attachment 1) announced that Black Hills Corporation out of Rapid City, South Dakota bought Aquila's Kansas gas operations.

Hearing on:

HB 2305: **Crude oil reserves; tax incentives; rules and regulations.**

Proponents:

Don Schnacke, Trans-Canada Oil (Attachments 2 and 3) offered testimony in favor of **HB 2305** noting some of the specifics of the bill that would affect the company he represents. He also included an informative brochure.

Ron Gaches, (Attachment 4) , spoke in favor of **HB 2305**, which would allow tax incentives for underground oil storage facilities.

Questions were asked and comments made by Representatives: Tom Hawk, and Carl Holmes.

Neutral:

Karl Mueldener, Kansas Dept. Health and Environment, (Attachment 5), presented neutral testimony on **HB 2305** noting the ways in which the Department of Health and Environment currently regulates storage facilities and additionally noting the ways in which they might make a few changes, should an underground oil facility be established.

Questions were asked and comments made by Representatives: Tom Sloan, Josh Svaty, and Carl Holmes.

Hearing on **HB 2305** was closed.

Hearing on :

HB 2306: **Kansas Electric Transmission Authority duties and powers.**

Earnie Lehman, Midwest Energy, (Attachment 6) presented testimony in favor of **HB 2306** characterizing the bill as a technical correction of KETA's enabling legislation.

Hearing on **HB 2306** was closed.

Chairman Holmes handed out a letter he received (Attachment 7) from the Kansas Library Association concerning the KAN-ED program.

The next meeting is scheduled for February 8, 2007.

Meeting adjourned.

HOUSE ENERGY AND UTILITIES COMMITTEE
GUEST LIST

DATE: February 7, 2007

NAME	REPRESENTING
Don Schnacke	TransCanada Pipeline Co.
Patti Kruggel	Polsinelli Law
Earnie Lehman	KETA
HAL GARDNER	KBOR / Kan-ed
Karl Mueldener	KDHE
Mike Cochran	KDHE
DAVE HOLTHAUS	KEC
LARRY BERG	MIDWEST ENERGY
PHIL WAGES	KEPCo
GINA BOWMAN-MORRILL	Coffeyville Resources
Kimberly [illegible]	ITC Great Plains
Mark Schreiber	Westar Energy
Ron Gaches	GBBA
Dan Springe	Curb
Ed Cross	KIOGA

For Immediate Release

Great Plains Energy, Aquila, and Black Hills Corporation Announce Two Strategic Transactions

Great Plains Energy to Acquire Aquila's Missouri Properties for Cash and Stock, Forging Strong Regional Electric Utility

Black Hills Corporation to Acquire Aquila's Utility Properties in Colorado, Kansas, Nebraska and Iowa, Broadening Its Regional Presence and Retail Utility Base

Kansas City, Mo. and Rapid City, S. Dak.—February 7, 2007—Great Plains Energy Incorporated (NYSE: GXP) and Aquila, Inc. (NYSE: ILA), both of Kansas City, Missouri, and Black Hills Corporation (NYSE: BKH), of Rapid City, South Dakota, today announced that they have entered into definitive agreements for two separate transactions, under which:

- Great Plains Energy, the parent of Kansas City Power & Light (KCP&L), will acquire all the outstanding shares of Aquila and its Missouri-based electric utility assets for $1.80 in cash plus 0.0856 of a share of Great Plains Energy common stock for each share of Aquila common stock in a transaction valued at approximately $1.7 billion, or $4.54 per share, based on Great Plains Energy's closing stock price on February 6, 2007. In addition, Great Plains Energy will assume approximately $1 billion of Aquila's net debt. The combination will form a strong regional utility well-positioned to meet the growing energy needs of the greater Kansas City area.

- Immediately prior to Great Plains Energy's acquisition of Aquila, Black Hills will acquire from Aquila its electric utility in Colorado and its gas utilities in Colorado, Kansas, Nebraska and Iowa along with the associated liabilities for a total of $940 million in cash, subject to closing adjustments, significantly broadening Black Hills' regional presence and retail utility base.

- Following closing, Great Plains Energy will be the parent of Aquila, which will continue to own its Missouri-based utilities and its Merchant Services operations, primarily consisting of the 340-megawatt Crossroads power generating facility and residual natural gas contracts. The proceeds from the asset sale to Black Hills will be used to fund the cash portion of the consideration to Aquila shareholders and to reduce existing Aquila debt.

-More-

ENERGY AND HOUSE UTILITIES

DATE: 2/7/2007

ATTACHMENT 1-1

- Upon consummation of the transactions, Aquila shareholders will own approximately 27 percent of Great Plains Energy common stock, which currently is paying an annual dividend of $1.66 per share.

When completed, the two transactions will increase the size and scope of Great Plains Energy's and Black Hills' operations, and enhance their ability to serve customers and communities and to build value for their respective shareholders. After the transactions close, Great Plains Energy will have revenues of over $3 billion and approximately 800,000 customers. The combined Black Hills/Aquila regulated utility and other operations will have a total of more than 750,000 retail and wholesale customers in 12 states.

Great Plains Energy expects to retain most of the employees working for the Aquila operations it is acquiring. This includes all unionized personnel, whose employment status will not be affected by the transaction. In forming a strong regional utility, however, Great Plains Energy does expect some position reductions, primarily where support service functions overlap. Black Hills expects to retain all of the employees working for the Aquila operations it is acquiring. There will be no change to Great Plains Energy's or Black Hills' respective senior management teams or Boards of Directors as a result of the two transactions. Great Plains Energy's CEO will lead the combined Great Plains Energy/Aquila operations and Black Hills' CEO will lead the combined Black Hills/Aquila operations.

The Great Plains Energy/Aquila Transaction

Under the terms of the Great Plains Energy/Aquila transaction, which was approved by the Boards of Directors of both companies, Great Plains Energy will acquire Aquila and its Missouri-based utilities, Missouri Public Service Company and St. Joseph Light & Power, expanding Great Plains Energy's utility service territory around the Kansas City metro area. The Aquila transaction will add about 300,000 electric utility customers to the existing base of about 500,000 customers. The combined generating capacity will consist of approximately 5,800 megawatts.

"For Great Plains Energy, this transaction will forge an exceptionally strong regional electric utility committed to improving the total living environment for customers and communities by providing low-cost, reliable, clean energy," said Michael J. Chesser, Chairman and Chief Executive Officer of Great Plains Energy. "Combining Aquila's many strengths with our own will result in superior customer service, enhanced reliability, and an even greater investment in environmental stewardship and energy efficiency. Moreover, our complementary service territories and generation portfolios provide the opportunity to realize significant synergies."

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Said Richard C. Green, Chairman, President and Chief Executive Officer of Aquila, "We have made tremendous progress since 2002 executing our repositioning strategies. Having improved our financial condition significantly, we believe this transaction provides the best overall, long-term value for Aquila shareholders by accelerating their return on investment. Following the combination, our utilities will have access to lower-cost capital to fund investments to meet customer growth projections, environmental upgrades and improvements to utility infrastructure. In addition, Aquila investors will receive a significant ownership stake in Great Plains Energy and resulting dividends. We look forward to working closely with Mike Chesser and members of the Great Plains Energy team to get the necessary approvals as quickly as possible."

Chesser said, "Great Plains Energy's highly collaborative corporate culture, combined with the strong regulatory and community relationships we have built, will help facilitate the timely completion of these transactions and, following completion, a smooth and seamless integration process. For now, all customers of Aquila will continue receiving customer service and billing information directly from Aquila. We, Aquila and Black Hills are committed to keeping our respective constituents—customers, community leaders, business partners and employees—fully informed of our progress in getting these important and exciting transactions completed."

Great Plains Energy expects the transaction to deliver financial and operational benefits in several areas. Total pre-tax synergies are estimated to reach about $500 million over a five-year period, with costs to achieve, including transaction costs, of approximately $185 million.

Operational synergies over the same five-year period are expected to total about $310 million. These synergies are expected to result from:

- Improved operational and scale efficiencies enabled by adjacent service areas;
- Reduction in overlapping positions and overhead expenses;
- Capturing the benefits of more efficient procurement;
- Integrating and enhancing information technology; and
- Investments in infrastructure and energy efficiency.

Following the transaction, Aquila's credit rating is anticipated to be investment grade. The improved credit rating is expected to lower interest costs on a substantial portion of existing high interest rate debt through rate step-down provisions while also lowering rates on new debt planned to help fund ongoing capital investments. Aquila interest rate savings are estimated to be about $190 million over five years following the closing of the transactions.

-More-

The transaction is expected to be modestly dilutive to Great Plains Energy earnings in 2008 with EPS accretion beginning in 2009.

Great Plains expects to fully utilize Aquila's substantial net operating loss tax benefits over the next several years following transaction close.

The Black Hills/Aquila Transaction
Under the terms of the Black Hills/Aquila asset purchase/sale agreement, which was approved by the Board of Directors of both companies, Black Hills will acquire one regulated electric utility owned by Aquila in Colorado (where Black Hills currently has various independent power generation, oil and gas, and other non-regulated operations) and Aquila's regulated gas utilities in Colorado, Kansas, Nebraska and Iowa.

The Black Hills transaction will add a total of about 616,000 new utility customers (93,000 electric customers and 523,000 gas customers) to the 137,000 utility customers (104,000 electric customers and 33,000 gas customers) Black Hills currently serves. Other assets included in the Black Hills transaction include a customer service center and centralized natural gas operation in Nebraska.

David R. Emery, Chairman, President, and Chief Executive Officer of Black Hills, said: "Our acquisition of these utility properties and related assets has great industrial logic for Black Hills strategically, operationally and financially. It will significantly enhance our existing footprint in Colorado, enabling us to serve retail utility customers and communities in that state and to do so on an efficient basis. It will also give us, for the first time, a significant presence in the three neighboring states of Kansas, Nebraska and Iowa, where retail utility customers will also benefit from our commitment to superior customer service, reliability and efficiency.

"Black Hills' shareholders should benefit from the transaction as we build a solid foundation for future growth in earnings per share and increased shareholder value. We expect the transaction to provide positive cash flow immediately. We also expect that, after some earnings dilution in the first post-completion year related to transition costs, the transaction will be earnings accretive beginning in the second full post-completion year. Black Hills employees, including those who will be joining us from Aquila, will have additional opportunities for personal and professional growth as we combine our respective, highly complementary utility and other operations. In short, we believe this transaction will produce significant long-term benefits for everyone concerned—investors, customers, communities and employees," Emery said.

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Black Hills' has entered into a binding agreement with a group of lenders including ABN Amro Bank as administrative agent for a committed acquisition credit facility to finance the Black Hills/Aquila transaction. Reflecting its prudent and conservative financial philosophy, Black Hills expects the permanent financing that will replace this bridge facility to be a combination of new equity, mandatory convertible securities, unsecured debt at the holding company level and internally generated cash resources. The contemplated permanent financing is expected to be deemed investment grade by credit rating agencies. Some portion of the transaction financing may be obtained through a public offering or private placement prior to closing.

Process and Next Steps
Great Plains Energy's acquisition of Aquila is subject to the approval of both Great Plains Energy and Aquila shareholders; regulatory approvals from the Missouri Public Service Commission, the Kansas Corporation Commission, and the Federal Energy Regulatory Commission; Hart-Scott-Rodino antitrust review; as well as other customary conditions.

Black Hills' purchase of the Aquila assets is subject to regulatory approvals from the Missouri Public Service Commission, the Kansas Corporation Commission, the Colorado Public Utilities Commission, the Nebraska Public Service Commission, the Iowa Utilities Board, and the Federal Energy Regulatory Commission; Hart-Scott-Rodino antitrust review; as well as other customary conditions.

In addition, each of the two transactions is conditioned on the completion of the other transaction. Both are expected to close in about a year.

Advisors
Credit Suisse Securities (USA), LLC and Sagent Advisors, Inc. served as financial advisors and Skadden, Arps, Slate, Meagher & Flom LLP served as legal advisor to Great Plains Energy with regard to the Great Plains Energy/Aquila transaction. Credit Suisse Securities (USA), LLC also served as financial advisor and Morgan Lewis & Bockius LLP served as legal advisor to Black Hills Corporation with regard to the Black Hills/Aquila transaction. The Blackstone Group L.P. and Lehman Brothers, Inc. served as financial advisors to Aquila management and Evercore Group, Inc. served as financial advisor to the Aquila Board of Directors. Fried, Frank, Harris, Shriver & Jacobson LLP served as legal advisor to Aquila with regard to both transactions.

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Analyst Conference Call/Webcast
Great Plains Energy, Aquila and Black Hills will host a financial community conference call on Wednesday, February 7, 2007 at 9:30 a.m. Eastern Time/8:30 a.m. Central Time to discuss the Great Plains Energy/Aquila and the Black Hills Corporation/Aquila transactions. For complete instructions on how to actively participate in the conference call, or to listen to the live audio webcast or a replay of the webcast, please refer to the Investor Relations sections at www.greatplainsenergy.com, www.aquila.com or www.blackhillscorporation.com.

Black Hills also will host a financial community conference call to discuss the Black Hills/Aquila transaction in greater detail on Thursday, February 8, 2007 at 10:00 a.m. Eastern Time/9:00 a.m. Central Time/8:00 a.m. Mountain Time. The dial-in number for the Black Hills call is 1-866-206-5917. For complete instructions on how to actively participate in the Black Hills conference call, or to listen to the live audio webcast or a replay of the webcast, please visit the Investor Relations section at www.blackhillscorporation.com.

Press Conference
Following the Analyst Conference Call/Webcast, the CEOs of Great Plains Energy, Aquila, and Black Hills will host a joint press conference at 11:00 a.m. Eastern Time/10:00 a.m. Central Time. The press conference will take place at Great Plains Energy's headquarters in the board room on the 21st floor at 1201 Walnut Street, Kansas City, Mo. The dial-in number for those unable to attend in person is 1-888-688-7428; passcode is 5291776#. The press conference will not be webcast.

About Great Plains Energy
Great Plains Energy, headquartered in Kansas City, Mo., is the holding company for KCP&L, a leading regulated provider of electricity in the Midwest, and Strategic Energy, LLC, a competitive electricity supplier. The company's website is www.greatplainsenergy.com.

About Aquila
Based in Kansas City, Mo., Aquila owns electric power generation and operates electric and natural gas transmission and distribution networks serving nearly 1 million customers in Colorado, Iowa, Kansas, Missouri and Nebraska. More information on Aquila is available at www.aquila.com.

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About Black Hills Corporation

Black Hills is a diversified energy company. Its retail businesses are Black Hills Power, an electric utility serving western South Dakota, northeastern Wyoming and southeastern Montana; and Cheyenne Light, Fuel & Power, an electric and gas distribution utility serving the Cheyenne, Wyoming vicinity. Black Hills Energy, the wholesale energy business unit, generates electricity, produces natural gas, oil and coal, and markets energy. The company's website is www.blackhillscorp.com.

Great Plains Energy Contacts:

Investors: Todd Allen, manager of investor relations, 816-556-2083, todd.allen@kcpl.com;
Media: Matt Tidwell, director of corporate communications, 816-556-2069, matt.tidwell@kcpl.com

Black Hills Corporation Contacts:

Investors: Dale Jahr, director of investor relations, 605-721-2326, djahr@bh-corp.com
Media: Roy Winnick, Kekst and Company for Black Hills, 212-521-4842, roy-winnick@kekst.com

Aquila Contacts:

Investors: Neala Hackett, director investor relations, 816-467-3562, neala.hackett@aquila.com;
Media: Al Butkus, vice president media relations, 816-467-3616, al.butkus@aquila.com

Information Concerning Forward-Looking Statements

Statements made in this document that are not based on historical facts are forward-looking, may involve risks and uncertainties, and are intended to be as of the date when made. In connection with the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, Great Plains Energy, Aquila and Black Hills Corporation are providing a number of important factors, risks and uncertainties that could cause actual results to differ materially for the provided forward-looking information. These include: obtaining shareholder approvals required for the transactions; the timing of, and the conditions imposed by, regulatory approvals required for the transactions; satisfying the conditions to the closing of the transactions; Great Plains Energy and Black Hills Corporation successfully integrating the acquired Aquila businesses into their respective operations, avoiding problems which may result in either company not operating as effectively and efficiently as expected; the timing and amount of cost-cutting synergies; unexpected costs or unexpected liabilities, or the effects of purchase accounting may be different from the companies' expectations; the actual resulting credit ratings of the companies or their respective subsidiaries; the effects on the businesses of the companies resulting from uncertainty surrounding the transactions; the effect of future regulatory or legislative actions on the companies; and other economic, business, and/or competitive factors. Additional factors that may affect the future results of Great Plains Energy, Aquila and Black Hills Corporation are set forth in their most recent quarterly report on Form 10-Q or annual report on Form 10-K with the Securities and Exchange Commission ("SEC"), which are

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available at www.greatplainsenergy.com, www.aquila.com and www.blackhillscorporation.com, respectively. Great Plains Energy, Black Hills Corporation and Aquila undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Additional Information and Where to Find It
In connection with the acquisition of Aquila by Great Plains Energy, Great Plains Energy intends to file with the SEC a registration statement on Form S-4, containing a joint proxy statement/prospectus and other relevant materials. The final joint proxy statement/prospectus will be mailed to the stockholders of Great Plains Energy and Aquila. INVESTORS AND SECURITY HOLDERS OF GREAT PLAINS ENERGY AND AQUILA ARE URGED TO READ THE JOINT PROXY STATEMENT/PROSPECTUS AND THE OTHER RELEVANT MATERIALS WHEN THEY BECOME AVAILABLE BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT GREAT PLAINS ENERGY, AQUILA AND THE ACQUISITION. The registration statement and joint proxy statement/prospectus and other relevant materials (when they become available), and any other documents filed by Great Plains Energy or Aquila with the SEC, may be obtained free of charge at the SEC's website at www.sec.gov. In addition, investors and security holders may obtain free copies of the documents (when they are available) filed with the SEC by Great Plains Energy by directing a request to: Great Plains Energy, 1201 Walnut, Kansas City, MO, 64106, Attn: Investor Relations. Investors and security holders may obtain free copies of the documents filed with the SEC by Aquila by contacting Aquila, 20 West Ninth Street, Kansas City, Mo, 64105, Attn: Investor Relations.

Participants in Proxy Solicitation
Great Plains Energy, Aquila and their respective executive officers and directors may be deemed to be participants in the solicitation of proxies relating to the proposed transaction. Information about the executive officers and directors of Great Plains Energy and their ownership of Great Plains Energy common stock is set forth in Great Plains Energy's Annual Report on Form 10-K for the year ended December 31, 2005, which was filed with the SEC on March 8, 2006, and the proxy statement for Great Plains Energy's 2006 Annual Meeting of Stockholders, which was filed with the SEC on March 20, 2006. Information regarding Aquila's directors and executive officers and their ownership of Aquila common stock is set forth in Aquila's Annual Report on Form 10-K for the year ended December 31, 2005, which was filed with the SEC on March 7, 2006, and the proxy statement for Aquila's 2006 Annual Meeting of Stockholders, which was filed with the SEC on March 24, 2006. Investors and security holders may obtain more detailed information regarding the direct and indirect interests of Great Plains Energy, Aquila and their respective executive officers and directors in the proposed transaction by reading the joint proxy statement/prospectus regarding the proposed transaction when it becomes available.

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COUNSELOR OF GOVERNMENTAL PUBLIC AFFAIRS
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TEL (785) 232-4100 • FAX (785) 232-0917

Testimony to House Energy & Utilities Committee

House Bill 2305 – An Act concerning crude oil reserves; providing certain income tax deductions and property tax exemptions; relating to regulation of such reserves

February 7, 2007

Mr. Chairman and members of the Committee. I am Don Schnacke, Topeka, appearing on behalf of TransCanada Pipeline Company in favor of the passage of HB 2305 supporting the concept of establishing a crude oil reserve in Kansas.

Within the 2007 State of the Union speech on January 23, 2007, President Bush outlined a number of energy policy initiatives and recommended the doubling of the current capacity of The Strategic Petroleum Reserve (SPR) to 1.5 billion barrels of oil by the year 2027.

Kansas is not now a part of the current SPR, but the approval of HB 2305 could put Kansas in a position to participate in this national security venture.

TransCanada Pipeline Company has a direct interest in the proposed crude oil reserve in that on page 9, section (e) beginning on line 38 the qualifying pipeline defined in the bill does match that what is being planned to be constructed in Kansas. If approved and constructed, it will be a 36" common carrier pipeline and hopefully able to furnish crude oil for the Kansas oil reserve.

TransCanada is in the process of permitting a 1,842 mile crude oil line from Alberta to Wood River and Patoka, Illinois with the potential for an extension to deliver crude oil to Cushing, Oklahoma. On January 30, 2007, TransCanada announced the start of a binding Open Season for an expansion and extension of the proposed Keystone Oil Pipeline that will close on March 14, 2007.

The purpose of the Open Season is to obtain binding commitments to support the expansion of the proposed Keystone Pipeline from a nominal capacity of approximately 435,000 barrels per day to 590,000 barrels per day and the construction of a 291-mile extension of the U.S. portion of the pipeline from the Nebraska/Kansas border to the refining and terminal hub near Cushing, Oklahoma. Approximately 209 miles of the proposed extension to Cushing will be constructed within the State of Kansas.

ENERGY AND HOUSE UTILITIES
DATE: 2/7/2007
CELL (785) 231-8877 • EMAIL schnacke@earthlink.net ATTACHMENT 2-1

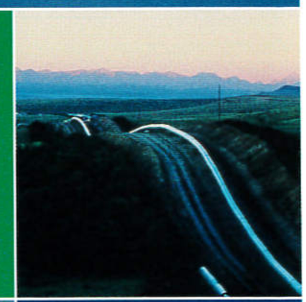
As TransCanada was supportive of SB 303 passed last session, we are equally supportive of HB 2305. Keystone is an open access common carrier pipeline and will deliver to any refinery or storage facility in this state via an alternative delivery point or the Cushing delivery point. As you all know, Cushing gives Kansas refiners access to pipelines that already delivers crude oil to this state. If refiners or storage facilities want delivery somewhere else along the Keystone Pipeline, they need only pay for the connection line to their facility.

The company has begun acquiring right-of-way for the "main line" to Wood River and Patoka, Illinois. The line crosses 5 counties in Northeast Kansas. Construction is slated to be done in 2008 and 2009. If approved, construction of the Cushing, Oklahoma extension, which crosses 6 counties, would follow in 2010.

Thank you for the opportunity to appear today. We look forward to communicating a positive response to you from Kansas shippers to the binding Open Season in the weeks to come. We urge the Committee to approve HB 2305.

The TransCanada

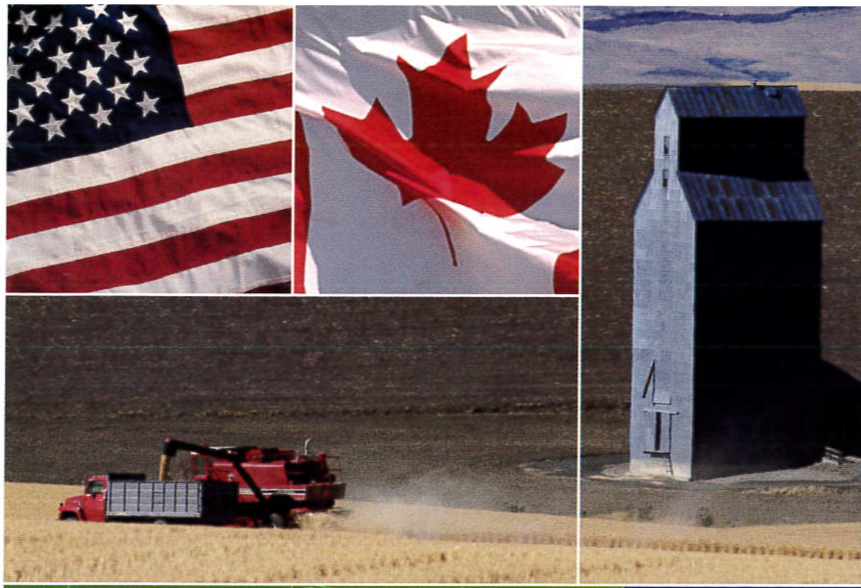
Keystone Pipeline Project



TransCanada
In business to deliver

ENERGY AND HOUSE UTILITIES
DATE: 2/7/2007
ATTACHMENT 3-1

The TransCanada **Keystone Pipeline Project**



Our company, TransCanada, is proposing to transport approximately 435,000 barrels per day of crude oil from an oil-supply hub near Hardisty, Alberta to Wood River and Patoka, Illinois through an approximate 1,830 mile pipeline system. Nearly 1,070 miles of new pipeline will be constructed in the United States. The pipeline will run on a north-south path through eastern North Dakota, South Dakota and Nebraska. At the Nebraska-Kansas border, the proposed route turns in a south-easterly direction through Kansas, Missouri and Illinois. Approximately 23 new pump stations will also be required in the United States to transport the crude oil.

In addition to the new pipeline construction in the United States, the Canadian portion of the proposed project includes the construction of approximately 230 miles of new pipeline and the conversion of approximately 530 miles of existing TransCanada pipeline facilities from natural gas to crude oil transmission.

In response to interest from customers, TransCanada is also considering the possible extension of the Keystone project north from Hardisty to Fort Saskatchewan, Alberta, and south through Kansas to Cushing, Oklahoma.

Who is TransCanada?

TransCanada is a leader in the responsible development and reliable operation of North American energy infrastructure. TransCanada's network of approximately 41,000 kilometres (25,600 miles) of pipeline transports the majority of Western Canada's natural gas production to key Canadian and U.S. markets. A growing independent power producer, TransCanada owns, or has interests in, approximately 6,700 megawatts of power generation in Canada and the United States.

Design and Construction

The proposed pipeline will be 30 inches in diameter except for the 55 miles downstream of the Wood River refinery interconnection heading in an easterly direction to Patoka where the diameter would be 24 inches. The pipeline will be buried, with a minimum depth of cover of four feet in agricultural areas. The permanent right-of-way easements, the strips of land set aside to construct and operate a pipeline, will measure approximately 50 feet in width, although additional temporary workspace will be required during construction of the pipeline. We will use advanced materials, technology, and construction methods to ensure the pipeline is built safely and efficiently, in a way that minimizes its impact on people, land and the environment.

Your Safety, Our Integrity

The safety of the public and our employees is TransCanada's top priority. We have more than 50 years of experience building and operating one of the largest underground pipeline systems in North America. We meet or exceed industry and government standards that have been designed to ensure public safety. Our commitment is reflected in the design and construction of our facilities, as well as in our operating and maintenance practices.

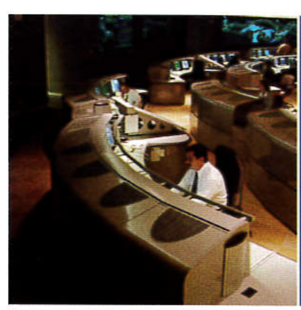
When designing facilities, TransCanada uses high quality steel and specialized welding techniques developed specifically for high pressure pipelines. All pipe is delivered from the manufacturer with a corrosion resistant protective coating. During construction, we use non-destructive examination equipment to inspect all welds, and then apply a coating to the weld to help protect it from corrosion. Additionally, all new pipeline sections are pressure tested with water up to at least 125 percent of the pipeline's maximum allowable operating pressure prior to being placed into operation.

Our pipeline maintenance activities include regular aerial patrols, pipeline leak detection, in-line (internal pipeline) inspection using specialized electronic inspection tools and corrosion protection system monitoring and adjustment.

We maintain an ongoing public awareness program to keep the lines of communication open with our neighbors about our facilities and how to live and work safely around pipelines. As part of this program, we involve local emergency response agencies to ensure there is an understanding about the specifics of our pipeline, which will lead to the safe and effective response in the unlikely event of an incident involving a TransCanada facility.

Commitment to Consultation

We recognize the importance of incorporating public input into our proposed project plans. We believe that through consultation with impacted landowners, communities, and other interested stakeholders, we can ensure that questions and concerns are addressed, and important public input can be integrated into our project plans. We will be sharing project information and gathering input throughout this planning phase and will be incorporating feedback into our project design and implementation as appropriate. Specifically, we will seek to address landowner concerns prior to construction activities and landowners will be compensated for the right-of-way easement, as well as resulting damages associated with construction activities.



Respecting the Environment

TransCanada conducts its business to meet or exceed all applicable laws and regulations and minimize risks to our employees, the public and the environment. We respect the diverse environments and culture in which we operate. TransCanada goes to great lengths to ensure all our facilities are designed, constructed and operated to minimize impact on the natural environment. Our goal is to conserve environmental resources by avoiding or lessening certain activities and by re-establishing the essential physical, chemical and biological characteristics of the environment. The proposed pipeline route will traverse primarily agricultural lands; therefore, considerable focus will be placed on the handling, conservation and reclamation of the soils and vegetation to ensure the land's equivalent capability is sustained. Great care and planning will be taken to minimize and avoid impacting rare or endangered species, habitat and significant water crossings.

By using existing TransCanada facilities for the majority of the proposed project in Canada, and by utilizing existing corridors as much as possible for new construction sections in the United States, we will strive to minimize impacts to the environment. TransCanada is proud of its environmental performance and leadership in developing new approaches and techniques to conserve the natural resources encountered on more than 25,000 miles of pipeline right-of-way throughout the last 50 years.

Regulatory Requirements

We will be seeking regulatory approvals from a number of regulatory bodies for this proposed project. In the United States, the project will require federal approvals from agencies such as the U.S. Department of State and the Army Corp of Engineers. State approvals will be required in accordance with state siting acts and/or other applicable legislation. In Canada, this project will be subject to approvals from the National Energy Board (NEB). The project may also require various local and regional approvals.

Project Timeline

- **2005**
  - Project announcement.
  - Begin public consultation with stakeholders.
- **2006**
  - Receive commercial commitments.
  - Prepare and submit major regulatory applications.
  - Begin environmental assessments and field studies along with engineering design.
- **2007**
  - Continue engineering design and material procurement.
  - Receive approvals and licences.
- **2008 and 2009**
  - Construction of new facilities and conversion of existing facilities.
  - System in service and operating.

Contact

For more information, please call our toll free project number (1.866.717.7473) or use our project-specific email address keystone@transcanada.com

Alternatively, you can write attention to:

TransCanada Keystone Pipeline Project
7509 NW Tiffany Springs Parkway
Northpointe Circle II, Suite 200
Kansas City, MO 64153

Project web page:

www.transcanada.com/keystone

TransCanada
In business to deliver

GACHES, BRADEN, BARBEE & ASSOCIATES
PUBLIC AFFAIRS & ASSOCIATION MANAGEMENT

825 S. Kansas Avenue, Suite 500 • Topeka, Kansas 66612 • Phone: (785) 233-4512 • Fax: (785) 233-2206

Testimony of Ron Gaches
In support of HB 2305 – Crude Oil Storage Incentives
Before House Energy and Utilities Committee
Wednesday, February 7, 2007

Thank you, Chairman Holmes and members of the Committee, for this opportunity to comment on HB 2305, a proposal to create an incentive for development of crude oil storage in Kansas.

Based on my work with a number of companies that provide underground storage of natural gas and gas liquids in Kansas, it is my opinion that development of underground crude oil storage is a viable commercial opportunity for the State of Kansas. Kansas had a thriving natural gas storage and natural gas liquids storage industry for many decades. Since the creation of the industry, Kansas storage fields have operated profitably and successfully in salt formations and depleted natural gas production fields without incident.

A few years ago an unfortunate escape of natural gas from the Yaggi Storage Field in Reno County resulted in passage of new legislation and regulations imposing expensive safety standards on the industry. Since the passage of those regulations, the expansion of storage capacity in Kansas has virtually ceased as firms redirected their investments to meet the new safety standards. I believe it is now safe to say we probably have the safest storage fields in the country. Unfortunately, our Kansas storage fields are becoming the most expensive in the Midwest. Notwithstanding this increasing cost, the demand for additional underground storage continues to increase. Storage is traditionally used in commercial markets to hedge against seasonal price spikes. Storage is also used by the federal government to create a Strategic Petroleum Reserve.

Recently, one of my client companies gave serious consideration to development of a commercial crude oil storage facility in the state of Kansas. They were hopeful that the facility could be expanded beyond its commercial capacity to accommodate Strategic Oil Reserve capacity for the federal government. Unfortunately, these plans were discontinued.

I am of the opinion that passage of HB 2305 would create a significant incentive for development of crude oil storage in Kansas. The benefits to the state and local units would be considerable. Storage industry jobs pay well, the long-term increase in the tax base is significant and the demands on the local community are few. And, if the federal government would want to develop a Strategic Petroleum Reserve capacity in a more secure location that the Gulf Coast, Kansas would be in a very competitive position. My additional recommendation would be to consider expanding the bill to include natural gas and gas liquids storage as well.

Thank you for your consideration of my comments.

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KANSAS

DEPARTMENT OF HEALTH
AND ENVIRONMENT
Division of Environment

Kathleen Sebelius, Governor
Roderick L. Bremby, Secretary

www.kdheks.gov

Testimony to
House Committee on Energy and Utilities
HB 2305
Establishing a Crude Oil Reserve
Presented by Karl Mueldener
February 7, 2007

Chairperson Holmes and members of the House Energy and Utilities Committee, I am Karl Mueldener, Director of KDHE's Bureau of Water. I appear before you today in support of House Bill 2305, which proposes to establish income tax deductions and property tax exemptions for crude oil reserves. New Section 7 instructs the Secretary of KDHE to adopt regulations governing crude oil reserves and to appoint an advisory committee to assist in this task.

Underground storage of various fuels in Kansas's salt formations has occurred since the 1950's. Products stored in salt caverns have included propane, butane, ethane, methane, gasoline, and jet fuel. Storing crude oil would be very similar and perhaps could be accomplished in the same facilities in a safe and secure manner.

New Section 7 instructs the Secretary of KDHE to adopt regulations governing crude oil reserves. Although existing regulations found at K.A.R. 28-45-1 et seq., "Hydrocarbon Storage Wells and Associated Brine Ponds," address hydrocarbon storage in salt caverns, the regulations were designed primarily to address liquefied petroleum gas storage and may require revision to ensure they adequately address crude oil storage.

The Federal Safe Drinking Water Act defines crude oil storage wells as Class II Underground Injection Control (UIC) wells. There are five classes of UIC wells for regulatory purposes. Class II wells are primarily those associated with oil production and the Kansas Corporation Commission (KCC) is authorized to regulate oil field Class II activities in Kansas. KDHE has authority from EPA to administer the other four classes of injection wells. In the instance of crude oil storage in salt formations, regulatory oversight appears to fit better with KDHE than KCC. KDHE and KCC personnel have discussed the topic and KCC has indicated agreement. An interagency agreement with EPA, KDHE, and KCC should be able to address the appropriate agency roles for crude oil storage.

KDHE believes that it can cover this additional work using existing agency resources.

Attachments for informational purposes are sketches and pictures regarding storage of liquid in salt.

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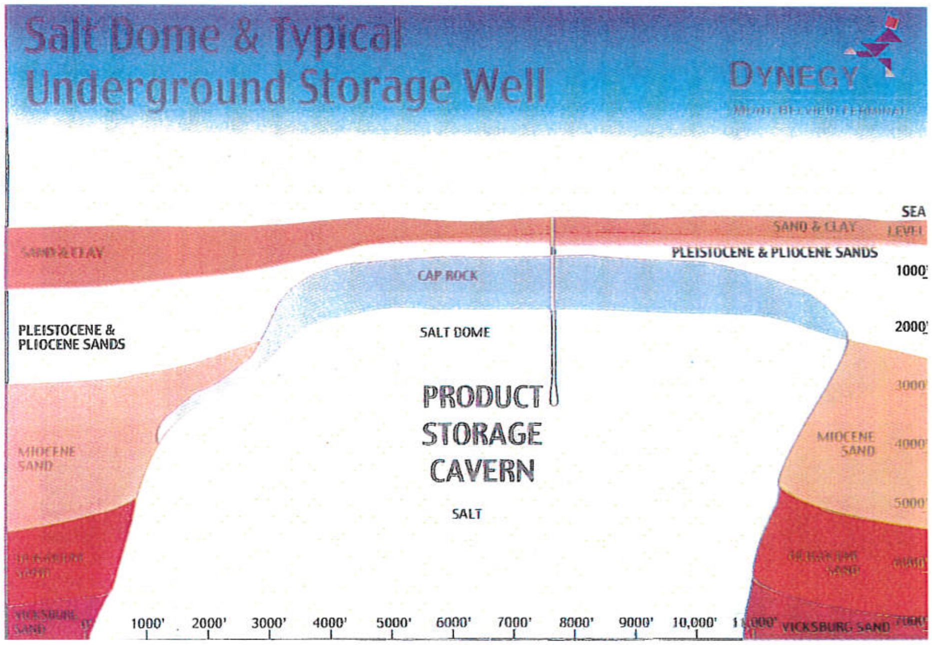
BUREAU OF WATER – GEOLOGY SECTION
CURTIS STATE OFFICE BUILDING, 1000 SW JACKSON ST., STE. 420, TOPEKA, KS 66612-1367
Voice 785-296-5524 Fax 785-296-5509 Web http://kdheks/gov/geo



Kansas Geol. Survey Bull. 214, 1978

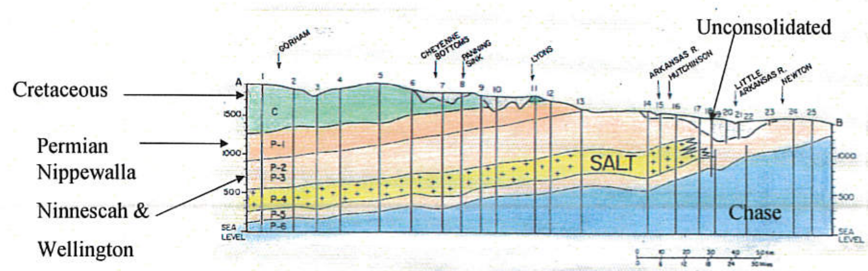
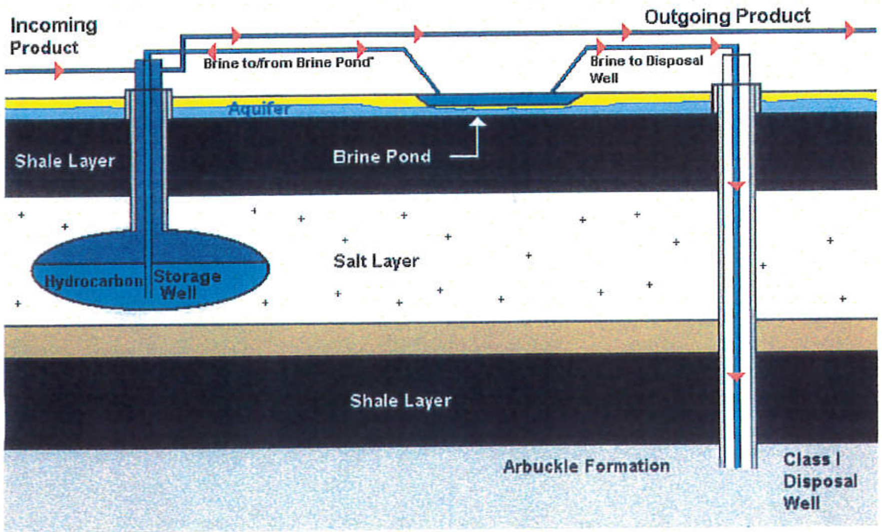
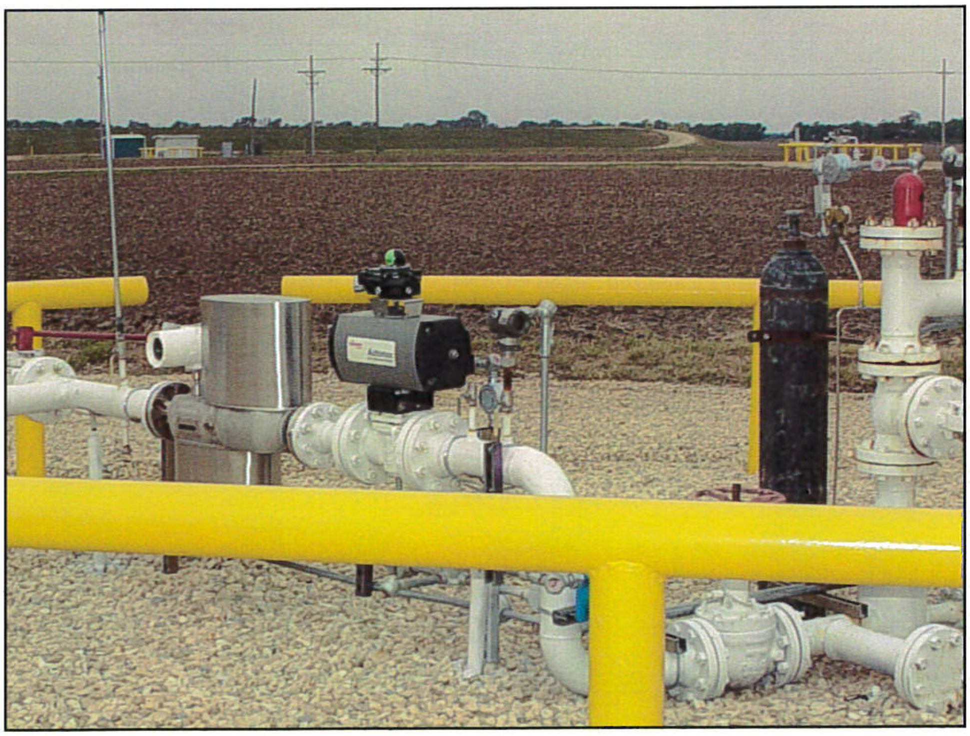


FIGURE 2.—Cross Section A-B. Length of section depicted is 150 miles. Vertical exaggeration × 100. Figures indicate elevation in feet above mean sea level. Location of cross section indicated in Figures 1 and 3. Control borings drilled for oil, gas, salt, or water, numbered 1 to 25, are listed in Appendix B. Stippled areas = unconsolidated beds, water-bearing; R = river.

FIGURE 1.—Extent and thickness in feet of the Hutchinson Salt Member of the Wellington Formation, Permian System. Kansas portion modified from Schumaker (1966). Oklahoma portion by Johnson (1976). The location of Cross Section A-B (Fig. 2) is indicated within the shaded study area (Fig. 3).



Propane, butane, ethane, ethane-propane mix




MAR 28 2006

KANSAS STORAGE VOLUME

Facility	Total bbls	# Wells
Enterprise-Hutchinson	3,732,738	17
NCRA-Conway	5,470,580	78
ONEOK Bushton	15,160,716	88
ONEOK Conway	4,175,024	43
ONEOK Hillside-Hutchinson	2,514,683	21
ONEOK Fractionation-Hutchinson	9,047,290	58
Williams CUE-Conway	11,586,469	89
Williams West-Conway	12,537,944	59
Williams Mitchell	5,474,427	23
Total LPG	**69,699,871**	**476**
ONEOK Yaggy	16,529,620	98
Total - LPG & Natural Gas	**86,229,491**	**574**

12/18/2006

M is wells in monitoring status- filled with brine

KS Electric Transmission Authority

KETA

Testimony Submitted by Earnie Lehman to the House Energy and Utilities Committee In Support of HB 2306

February 7, 2007

Mr. Chairman and members of the Committee, I am Earnie Lehman, appearing before you today on behalf of the Kansas Electric Transmission Authority (KETA). I serve as KETA's Vice-Chair and am one of three gubernatorial appointees. I urge your support for HB 2306. I would characterize HB 2306 as a technical correction of our enabling legislation, HB 2263 passed by the Legislature and signed by the Governor in 2005. It will streamline KETA's ability to operate while preserving the right of other entities to preemptively build and/or finance transmission facilities KETA would otherwise build and/or finance.

KETA has been fully operational since the beginning of 2006. As described in our first Annual Report, we have largely completed our fact-finding and have spurred the first significant transmission

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construction in Kansas in many years. Now, as we begin to take steps that may ultimately lead to our first construction project, it appears that our powers to perform the most routine acts, such as employing consultants, buying or leasing office equipment and setting up a bank account, could in theory be preempted by "private entities" who would enter into the contracts themselves. While this is nonsensical, it seems possible under a literal reading of HB 2263.

This is why HB 2306 is before you today. As you can see in the redlined version, Articles 9 and 16 of Section 1 are moved to a new Section 2, along with the Section 1 provisions that define a private entity's preemptive rights and related KETA notice and oversight provisions. The current Section 1, Article 9 speaks to transmission facilities and Article 16 speaks to partnering with other entities in connection with such facilities. These transferred articles are the heart of KETA's responsibility, the purpose for which we were created.

In contrast, preserving preemptive rights for private parties in the ancillary things KETA must do to analyze and prepare to build facilities, and in the conduct of our daily affairs, makes no sense. It will impede our ability to fulfill our statutory purpose "to further insure reliable operation of the integrated electrical transmission system, diversify and expand the Kansas economy and facilitate the consumption of Kansas energy through improvements in the state's electric transmission infrastructure."

I urge your support for HB 2306. Mr. Chairman, I will stand for questions at the appropriate time.

Thank you.

KLA
Kansas Library Association

February 6, 2007

Representative Carl Holmes
Rm 115 – S
Kansas State House
Topeka, KS 66612

Dear Representative Holmes,

The Kansas Library Association has received a strong message of concern from its members regarding HB 2194 because the library community does not believe that it has received all of the services that have been promised by Kan-Ed, and by adding constituencies, may further stretch its ability to deliver these services to libraries. Library directors and trustees have expressed concern that KanEd staff and funds will be stretched even further and the promised services to libraries will still not be realized.

When library staff and trustees across Kansas advocated for the creation of KanEd, we did so because we understood that the network would enable libraries from throughout the state to obtain broadband commercial Internet access at affordable rates, and that to be connected to the KanEd backbone would bring further high speed broadband capability to provide enhanced services to residents in each community. Libraries were the "front door" for Kansan's access to the KanEd network. Most of the libraries in Kansas still need that "last mile" of broadband connectivity. In the original statute that created KanEd, it says "74% of all libraries which have applied to the board to participate in the network… …shall have access by July 1, 2004." Of the nearly 300 public libraries that KanEd lists as members of its library constituency, only 38 are currently connected to the KanEd backbone. 24 of those are connected through KanRen and as a result of a push in the Northeast Kansas Library System, who uses KanRen as a provider. In speaking with the technology consultant for Southwest Kansas Library System, Hamilton County Library from that region is on the KanEd backbone. Two more are in the process of becoming connected through the Enhanced Video project, however that is not yet totally implemented.

Kansas Library Association | 1020 SW Washburn | Topeka, KS 66604 | Phone 785.580.4
kansaslibraryassociation@yahoo.com

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The ability of many libraries to connect and use the Kan-Ed network is dependent upon subsidies to reduce the costs of that access. Each year, Kan-Ed staff indicates that subsidies will only be available if universal service discounts are requested and received. For this reason, we have concerns about adding additional constituencies without increasing the budget to offset the costs of serving those new members, particularly when so many current members are not yet fully connected to the network.

A second point of concern involves access to electronic content made available through Kan-Ed. We believe that access to these critical resources is an essential part of leveling the "digital playing field" for all counties within the State. Kan-Ed has helped the library community to obtain invaluable information from statewide licensing of databases. Unfortunately, each year the ability to sustain these licensed databases from within the Kan-Ed budget is stated by KanEd staff to be at risk. It is for this reason that the State Library has included access to databases in its budget request. You will note that the 2007 KLA Legislative priorities include this request for licensed databases to ensure local residents who have come to rely on the databases have access.

Our concern is simple: if funding does not allow for full service delivery to existing constituencies, how will it be sustained by adding additional groups without also increasing the budget? This doesn't mean we aren't for expanded access. It simply means we would like this issue more closely examined by the committee.

Thank you for your consideration of this issue.

Sincerely,

Rosanne Siemens

Rosanne Siemens
Executive Director