

Aquila

Aquila Networks
P. O. Box 83008
Lincoln, NE 68501-3008

November 30, 2007

HAND DELIVERED BY DONALD J. NORDELL, MANAGER, AQUILA LINCOLN OPERATIONS

Joan E Ross, City Clerk
City of Lincoln
555 S. 10th Street, Room 111
Lincoln, NE 68508

Re: Franchise Transfer Approval Application

Dear Ms. Ross:

Pursuant to Ordinance No. 16713, Aquila, Inc. (f/k/a Peoples Natural Gas Company, a division of Utilicorp United Inc.) ("Aquila") holds a franchise to sell natural gas to the City of Lincoln (the "City") and its residents (the "Franchise"). On February 6, 2007, Aquila entered into an Asset Purchase Agreement (the "APA") under which Aquila will transfer its gas utility operations in Nebraska to Black Hills / Nebraska Gas Utility Company, LLC ("Black Hills"). Aquila anticipates that this transaction will close during the first quarter of 2008.

As of the closing of the transaction and subject to the terms and conditions of the APA, Aquila will assign the Franchise to Black Hills, and Black Hills will assume Aquila's obligations under the Franchise. Pursuant to Section 2 of the Franchise Agreement attached as Exhibit A to Ordinance No. 16713, Aquila hereby requests that you approve the assignment by signing and returning the enclosed copy of this letter. For clarity, this letter serves as both (i) Aquila's notice of the proposed assignment and (ii) Aquila's formal application for approval of the assignment. Pursuant to Section 2, enclosed is a copy of the order from the Nebraska Public Service Commission dated October 16, 2007 approving the consummation of the transaction between Aquila and Black Hills. We are happy to provide additional PSC filings upon your request. Also, please note that, in accordance with Section 2, at closing Black Hills will agree to comply with all provisions of the Franchise.

By signing this letter, you acknowledge and agree that:

1. The person signing below has the authority to sign and deliver this letter agreement on your behalf.
2. You consent to the assignment of the Franchise to Black Hills by Aquila, and to the assumption by Black Hills of Aquila's obligations under the Franchise, in each case as of the

closing of the transaction contemplated by the APA.

3. This consent will remain in effect, without regard to when the closing of the transaction under the APA occurs, except that if the closing does not occur and the APA is terminated, the consent you have provided will automatically terminate as well.

I will be contacting you soon to address any questions you have regarding this matter.

Please sign below where indicated and return a copy of this letter to Michelle Torline by fax at (816) 983-8080 or by email at mtorline@blackwellsanders.com. Thank you in advance for your prompt attention to this matter.

Very truly yours,

Aquila, Inc.

By: Donald J. Nordell

Name: Donald J. Nordell

Title: Operations Manager

**Acknowledged, Agreed to,
and Accepted by:**

The City of Lincoln

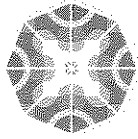
By: _____

Name: _____

Title: _____

Enclosure

cc: Mayor Chris Beutler
Lincoln City Council Members
Dana Roper, City Attorney



Aquila

RECEIVED

Aquila Networks
P. O. Box 83008
Lincoln, NE 68501-3008

NOV 30 2007
M 07-35584
LAW OFFICE

November 29, 2007

Dana Roper, City Attorney
City of Lincoln
555 S 10th Street
Lincoln, NE 68508

Dear Dana Roper:

Aquila and its predecessor companies have proudly served Lincoln since the 1930's, providing safe and reliable service to the community, natural gas system expansions to support community growth and economic development, and partnership on community initiatives.

Earlier this year, Aquila announced the sale of its Nebraska, Iowa, Colorado and Kansas natural gas operations and Colorado electric operations to Black Hills Corporation of Rapid City, South Dakota. Black Hills, an energy company in business since the 1800's, includes Black Hills Power, an electric utility serving the Black Hills region; Cheyenne Light, Fuel & Power, a Wyoming electric and gas distribution company; and Black Hills Energy, a wholesale subsidiary. Great Plains Energy of Kansas City, Missouri, is purchasing Aquila's Missouri electric business.

Aquila and Great Plains Energy shareholders have approved the sale, along with the Nebraska Public Service Commission, Iowa Utilities Board and the Federal Energy Regulatory Commission. Regulatory approvals in the other states we serve are also expected, Colorado by the end of this year and Missouri and Kansas in the first quarter of 2008. Aquila, Black Hills and Great Plains Energy are confident that the transaction will be completed, likely in the first quarter of 2008.

In some cases we are also obtaining local approvals. The City of Lincoln franchise has a provision that requires us to obtain the city's consent if the franchise is being assigned to a new company. Black Hills has agreed to comply with all the provisions of the franchise upon closing and plans to leave Lincoln management and employees in place.

We respectfully ask for your approval of the Franchise Transfer Approval Application as required by the Lincoln franchise. It is attached for your review, and I am available at 437-1779 should you have questions or wish to discuss it.

We are excited about the sale and look forward to welcoming Black Hills to Nebraska. Lincoln can expect from Black Hills the same commitment to safety, reliability, exemplary customer service and community partnership when the transfer is complete that Lincoln has received in the past.

Sincerely,

A handwritten signature in black ink that reads "Don Nordell". The signature is written in a cursive style with a large, stylized "D" and "N".

Don Nordell
Operations Manager
Lincoln, Nebraska

Enclosures

xc: All Lincoln City Council Members
Mayor of Lincoln
City Attorney