

**BEFORE THE PUBLIC SERVICE COMMISSION
STATE OF MISSOURI**

In the matter of the Joint Application of)
Aquila, Inc. d/b/a Aquila Networks – MPS and)
Aquila Networks – L&P (“Aquila”), The Empire)
District Gas Company (“EDG”) and The)
Empire District Electric Company (“EDE”)) Case No. G _ - _____
for an order authorizing the sale, transfer and)
assignment of certain assets and liabilities from))
Aquila to EDG and in connection therewith,)
certain other related transactions.)

JOINT APPLICATION

COME NOW Aquila, Inc. d/b/a Aquila Networks – MPS, and Aquila Networks – L&P, (“Aquila”), The Empire District Gas Company (“EDG”), and The Empire District Electric Company (“EDE”, and together with EDG, “Empire”) (collectively “Joint Applicants”), by and through their counsel, and for their Joint Application to the Missouri Public Service Commission (“Commission”) pursuant to Sections 393.170, 393.190, RSMo 2000 and 4 CSR 240-2.060 and 4 CSR 240-3.210, for an order authorizing the sale, transfer and assignment of certain assets and liabilities from Aquila to EDG, and in connection therewith, certain other related transactions, respectfully state as follows:

THE APPLICANTS

1. Aquila is a Delaware Corporation duly organized, validly existing and in good standing in all respects with its principal office and place of business at 20 W. 9th Street, Kansas City, MO 64105-1711. Aquila is authorized to

conduct business in Missouri through its Aquila Networks-MPS and Aquila Networks-L&P operating divisions and is engaged, generally, in providing electrical, natural gas and industrial steam utility service in those areas of Missouri certificated to it by the Commission.

2. A certified copy of Aquila's Amended Certificate of Authority to do business as a foreign corporation evidencing Aquila's authority to conduct business in Missouri and copies of the registrations of fictitious names of Aquila Networks-MPS and Aquila Networks-L&P were filed with the Commission in Case No. EU-2002-1053. Said documents are incorporated herein by reference in accordance with 4 CSR 240-2.060(1)(G) and made a part hereof for all purposes. Aquila is an "electrical corporation," a "gas corporation," and a "public utility" as those terms are defined in Section 386.020 RSMo and as such is subject to the jurisdiction of the Commission as provided by law.

3. Aquila has pending actions or final unsatisfied judgments or decisions against it involving customer service or rates having occurred within three (3) years from the date of this Joint Application in certain of the jurisdictions in which it provides service, but none in Missouri. Aquila has no annual report or assessment fees that are overdue.

4. EDG is a Kansas corporation duly organized, validly existing and in good standing in all respects with its principal office and place of business at 602 Joplin Street, Joplin, Missouri 64802. EDG is authorized to conduct business in Missouri and was created for the purpose of acquiring and operating certain assets consisting of Aquila's Missouri jurisdictional natural gas utility operations

(the “Business”) as further explained herein. EDG is a wholly-owned subsidiary of EDE. EDE is a Kansas corporation duly organized, validly existing and in good standing in all respects with its principal office and place of business at 602 Joplin Street, Joplin, Missouri 64802. EDE is authorized to conduct business in Missouri and is engaged, generally, in providing electrical and water utility service in those areas of Missouri certificated to it by the Commission.

5. A certified copy of EDG’s Certificate of Authority to do business as a foreign corporation evidencing EDG’s authority to conduct business in Missouri is marked **Appendix 1** attached hereto and made a part hereof for all purposes. Upon completion of the transaction contemplated herein EDG will be a “gas corporation” and a “public utility” as those terms are defined in Section 386.020 RSMo and as such will be subject to the jurisdiction of the Commission as provided by law. A certified copy of EDE’s Certificate of Authority to do business as a foreign corporation evidencing EDE’s authority to conduct business in Missouri was filed with the Commission in Case No. EM-2000-369. Said document is incorporated herein by reference in accordance with 4 CSR 240-2.060(1)(G). EDE is an “electrical corporation”, a “water corporation” and a “public utility” as those terms are defined in Section 386.020 RSMo and as such is subject to the jurisdiction of the Commission as provided by law.

6. Empire does not have any pending actions or final unsatisfied judgments or decisions against it involving customer service or rates having occurred within three (3) years from the date of this Joint Application in any of the jurisdictions in which it provides service (except for pending rate cases and a

judicial review of its most recent Missouri electric rate case). Empire does not have any annual reports or assessment fees that are overdue.

7. Pleadings, notices, orders and other correspondence and communications concerning this Joint Application should be addressed to the undersigned counsel and also to:

Dennis Odell
Director – Regulatory Services
Aquila, Inc.
1815 Capitol Avenue
Omaha, NE 68102

Scott Keith
Director – Planning and Regulatory
The Empire District Electric Company
The Empire District Gas Company
P.O. 127
602 Joplin Street
Joplin, MO 64802

THE TRANSACTION

8. Subject to the terms and conditions of an Asset Purchase Agreement by and between Aquila and EDE dated September 21, 2005 (the “Purchase Agreement”), a copy of which is marked **Appendix 2** attached hereto and made a part hereof for all purposes,¹ Aquila will sell, transfer and assign to EDG (as EDE’s assignee under the Purchase Agreement) and EDG will acquire from Aquila, certain assets and liabilities comprising the Business, all as more detailed in the Purchase Agreement. The purchase price will be an amount equal to \$84,000,000 adjusted in accordance with the terms of the Purchase

¹ Certain Schedules to the Purchase Agreement contain Highly Confidential information. They will be late-filed as part of Appendix 2 when the Commission issues its standard protective order in this docket.

Agreement. The Business serves approximately 48,500 total customers in northwest, north central and west central Missouri.

ADDITIONAL DOCUMENTATION

9. A certified copy of the resolutions of the Board of Directors of Aquila authorizing the consummation of the transaction contemplated by this Joint Application is marked **Appendix 3** attached hereto and made a part hereof for all purposes.

10. Certified copies of a resolution of the Board of Directors of EDE and a statement of unanimous consent to action taken in lieu of a meeting of the Board of Directors of EDG authorizing the consummation of the transactions contemplated by this Joint Application are marked **Appendix 4** and **Appendix 5** attached hereto and made a part hereof for all purposes.

NO DETRIMENT

11. The proposed sale, transfer and assignment of the Business and related transactions will not be detrimental to the public interest because they will not result in any reduced level of service or reliability for the involved Missouri customers presently being served by Aquila. Those customers will see no change or interruption in their day-to-day utility service and will continue to be served effectively and efficiently. EDG proposes to adopt the existing Commission-approved gas tariffs, including the base rates and purchase gas adjustment, of Aquila for the areas presently served by the Business.

12. EDG, as a wholly-owned subsidiary of EDE, is fully qualified, in all respects, to own and operate the assets being transferred and to otherwise

engage in the business of providing natural gas service for the public in the areas in question. All Aquila employees involved in field operations in connection with the Business are expected to become employed by Empire and retained to operate the Business and continue to provide service to customers in a safe and adequate manner.

13. Empire expects to add 25 to 30 employees for central services and field operations support. This includes developing a gas supply unit focused on serving the residential, commercial, and industrial customers of the Business in a safe and adequate manner. EDG will assume from Aquila the gas supply, hedging, transportation, storage, and related contracts currently in place with respect to satisfying the requirements of the Business. The Purchase Agreement also provides for transitional services to be provided by Aquila to EDG for a term to be negotiated among the parties, which ensures that EDG will have access to all resources necessary to effectuate a seamless transition of service to customers.

14. The acquisition is within Empire's core business of delivering energy and energy services to its customers as a regulated public utility and will assist in diversifying Empire's weather risk by balancing its current summer air conditioning peak with a natural gas winter heating peak.

15. Pro forma balance sheets and income statements of EDE and EDG, with adjustments showing the results of the acquisition of the Business, are

collectively marked **Appendix 6**² attached hereto and made a part hereof for all purposes.

16. The sale, transfer and assignment of the assets will have no impact on the tax revenues of the Missouri political subdivisions in which any structures, facilities or equipment involved are located.

OTHER MATTERS

17. Rather than transferring from Aquila to EDG existing certificates of convenience and necessity, the Joint Applicants request that the Commission issue to EDG a new certificate(s) authorizing the provision of natural gas service in the involved service areas.

18. Pursuant to the terms of paragraph III E.1. of the Stipulation and Agreement in Case No. EO-2005-0263, in the event of any significant change in the assets owned by EDE as the result of either a proposed sale or acquisition, EDE is to submit two resource plans, one with and one without the proposed sale or acquisition. Under such circumstances, EDE is also to submit certain information concerning any amortization resulting from said Stipulation and Agreement. In this regard, the acquisition of the involved gas assets, which are the subject of this Joint Application, will have no impact on EDE's current resource plan in connection with its electric operations. In addition, the acquisition will also have no detrimental impact on the additional amortization

² Appendix 6 is Highly Confidential and will be late-filed when the Commission issues its standard protective order in this docket.

related to the maintenance of Empire's financial ratios referenced in said Stipulation and Agreement.

19. Financing of this transaction will be from funds available in Empire's treasury, short term borrowings and/or funds to be obtained by new financings. In connection with the foregoing, Empire may be required to pledge the assets of the Business or otherwise secure any borrowings by using the Business as security and therefore hereby requests all necessary Commission authorization to do so.

20. Empire requests that the Commission's Order herein address the following issues so that the Commission's Order:

(1) Authorizes Aquila to transfer to EDG and for EDG to acquire and record on its books and records the current levels of certain assets and liabilities of Aquila related to the Business;

(2) Authorizes EDG to account for its pension benefit costs on a basis consistent with Empire's current methodology for pension costs, per the Stipulation and Agreement in Commission Case No. ER-2004-0570. As a result, Empire requests that the FAS 87 calculations for regulatory purposes do not reflect the impact of purchase accounting and the prepaid pension asset is treated similar to the prepaid pension asset under Empire's approved regulatory methodology; and

(3) Authorizes EDG to account for the gas employees and retirees postretirement welfare benefit cost on a basis consistent with the accounting methodology used by Aquila immediately prior to the sale. As a result, Empire

requests that the FAS 106 cost calculations for regulatory purposes do not reflect the impact of purchase accounting.

WHEREFORE, Aquila, EDG and EDE respectfully request that the Commission issue its Order:

(a) authorizing Aquila, EDG and EDE to perform in accordance with the terms of the Purchase Agreement;

(b) authorizing the sale, transfer and assignment of certain assets and liabilities of Aquila comprising the Business, as more fully described in the Purchase Agreement, from Aquila to EDG;

(c) granting EDG a certificate or certificates of convenience and necessity authorizing EDG to provide natural gas service as a gas corporation and public utility, subject to the jurisdiction of the Commission, in the service areas presently served by Aquila through the Business and, in connection therewith, waiving the requirements of 4 CSR 240-3.205;

(d) authorizing EDG to provide natural gas service in the areas served by the Business in accordance with the rules, regulations, rates and tariffs of Aquila as may be on file with and approved by the Commission on the effective date of the closing of the transaction, including the tariff sheets reflecting the existing base rates and purchase gas adjustment of Aquila, and authorizing EDG to adopt said tariff sheets, and to operate under the same as they may be changed from time to time as provided by law;

(e) authorizing EDG to adopt Aquila's authorized depreciation rates for assets of the Business;

(f) authorizing Empire to pledge the assets of the Business or otherwise secure any borrowings by using assets of the Business as security in connection with the financing of the transaction contemplated by the Purchase Agreement and this Joint Application and to enter into all necessary related transactions;

(g) authorizing Aquila to transfer to EDG and EDG to acquire and record on its books and records the current levels of certain assets and liabilities of Aquila related to the Business;

(h) authorizing Empire to account for its pension benefit costs on a basis consistent with Empire's currently approved methodology, use FAS 87 calculations for regulatory purposes that do not reflect the impact of purchase accounting and that the prepaid pension asset receives similar treatment as the prepaid pension asset under Empire's approved methodology;

(i) authorizing EDG to account for the gas employees and retirees postretirement welfare benefit cost on a basis consistent with the methodology used by Aquila immediately prior to the sale and that the FAS 106 calculations do not reflect the impact of purchase accounting;

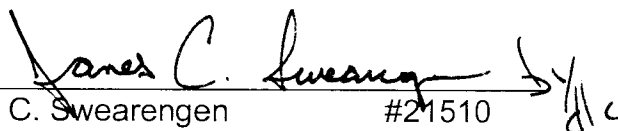
(j) authorizing Aquila, effective upon the closing of the transaction, to terminate its responsibilities as a gas corporation in Missouri with respect to the assets, liabilities, and service areas which are the subject of the Purchase Agreement;

(k) authorizing Aquila, EDE and EDG to enter into, execute and perform in accordance with the terms of all other documents which may be

reasonably necessary and incidental to the performance of the transactions which are the subject of the Purchase Agreement and this Joint Application;

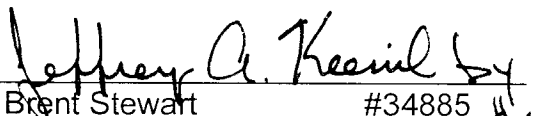
(l) granting such other relief as may be deemed necessary to accomplish the purposes of the Purchase Agreement and the Joint Application and to consummate the sale, transfer and assignment of the assets and related transactions pursuant to the Purchase Agreement.

Respectfully submitted,



James C. Swearingen #21510
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per594@aol.com

Attorneys for
The Empire District Gas Company and
The Empire District Electric Company

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the above and foregoing document was delivered by first class mail, hand delivery, or electronic transmission, on this 8th day of November, 2005, to the Office of the Public Counsel and to the General Counsel, Missouri Public Service Commission.

James C. Sweareq by
dlc

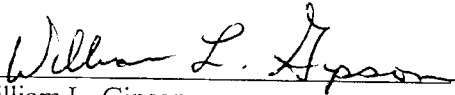
LIST OF ATTACHMENTS

- Appendix 1 EDG Certificate of Authority
- Appendix 2 Purchase Agreement (portions HIGHLY CONFIDENTIAL)
- Appendix 3 Certified copy of the resolutions of the Board of Directors of Aquila
- Appendix 4 Certified copy of the resolutions of the Board of Directors of EDE
- Appendix 5 Certified copy of Statement of Unanimous Consent to Action Taken
In Lieu of a Meeting of the Board of Directors of EDG
- Appendix 6 HIGHLY CONFIDENTIAL Pro Forma Balance Sheets and Income
Statements of EDE and EDG

AFFIDAVIT

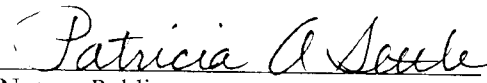
STATE OF MISSOURI)
)ss
COUNTY OF JASPER)

William L. Gipson, having been duly sworn upon his oath, states that he is the President and Chief Executive Officer of The Empire District Electric Company; that he is duly authorized to execute said Application and to make this Affidavit on behalf of The Empire District Electric Company; and, that the matters and things stated in the foregoing Application are true and correct to the best of his information, knowledge and belief.

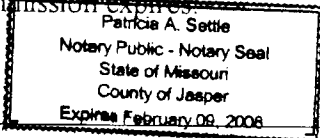


William L. Gipson
President and Chief Executive Officer

Subscribed and sworn to before me this 1st day of November __, 2005.



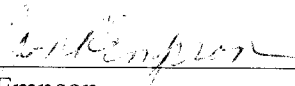
Notary Public

My Commission Expires:


AFFIDAVIT

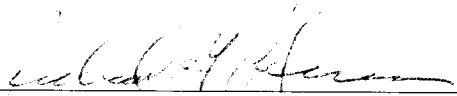
STATE OF NEBRASKA)
)ss
COUNTY OF DOUGLAS)

I, Jon Empson, having been duly sworn upon my oath, state that I am the Senior Vice President Regulated Operations of Aquila, Inc.; that I am duly authorized to make this Affidavit on behalf of Aquila, Inc.; and that the matters and things stated in the foregoing application are true and correct to the best of my information, knowledge and belief.



Jon Empson
Senior Vice President Regulated Operations

Subscribed and sworn to before me this 25th day of October, 2005.



Notary Public

My Commission expires:

7/4/2009

