

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE 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”) 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.)
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Case No. GO-2006-0205

UNANIMOUS STIPULATION AND AGREEMENT

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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”) for an Order) Case No. GO-2006-0205
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certain assets and liabilities from Aquila to EDG)
and in connection therewith, certain other related)
transactions.)

UNANIMOUS STIPULATION AND AGREEMENT

COME NOW Aquila, Inc. d/b/a Aquila Networks – MPS and Aquila Networks – L&P (“Aquila”); The Empire District Gas Company (“EDG”); The Empire District Electric Company (“EDE”, and together with EDG, “Empire”) (Aquila, EDG and EDE collectively the “Joint Applicants”); the Staff of the Missouri Public Service Commission (“Staff”); the Office of the Public Counsel (“OPC”); Pittsburgh-Corning Corporation (“PCC”); Cornerstone Energy, Inc. (“CEI”), and Crane Plumbing, LLC (“Crane”) (collectively the “Signatories”) and submit this Unanimous Stipulation and Agreement (“Stipulation”) for approval by the Commission.

BACKGROUND

1. On November 8, 2005, the Joint Applicants filed their Joint Application with the Missouri Public Service Commission (“Commission”) under Sections 393.170, 393.190, RSMo 2000 and 4 CSR 240-2.060 and 4 CSR 240-3.210, for an order from the Commission authorizing the sale, transfer and assignment of certain assets and liabilities from Aquila to EDG (as EDE’s assignee under the Purchase Agreement as hereinafter defined), and in connection therewith, certain other related transactions. Empire and Aquila filed testimony in support of the Joint Application on November 10, 2005, and November 14, 2005, respectively.

2. On November 10, 2005, the Commission issued its Order and Notice setting an intervention date of November 30, 2005; an Order Setting Settlement Conference for December 7, 2005; and an Order Establishing Protective Order. Thereafter, PCC, CEI and Crane filed applications to intervene in this matter. The applications to intervene of PCC and CEI were granted on December 7, 2005, and the application to intervene of Crane was granted on December 21, 2005.

3. Most of the Signatories appeared at the prehearing conference on December 7, 2005. Thereafter, on December 16, 2005, the Joint Applicants filed, on behalf of the Signatories, a proposed procedural schedule for this case, which was adopted by the Commission by Orders issued on December 21, 2005, and January 3, 2006. Pursuant to the procedural schedule, all non-applicant Signatories were to provide their lists of conditions for approval of the Joint Application to all Signatories by January 17, 2006, and a settlement conference was scheduled for January 23-24, 2006.

4. Most Signatories met for the settlement conference scheduled for January 23-24, 2006, and have engaged in various discovery and discussions to determine whether an amicable settlement of this proceeding was possible. As a result of those discussions, the Signatories have now reached a resolution and settlement as reflected in this Stipulation, which they believe to be reasonable and not detrimental to the public interest. This Stipulation resolves all issues in this proceeding as set forth below.

5. The non-applicant Signatories relied upon representations made by Empire and Aquila to construct the agreements contained in this Stipulation. These representations include the following:

* Empire represents that it has performed such investigations and reviews of the financial viability of this transaction as seemed to it to be reasonable and prudent.

* Empire represents that it has the creditworthiness to accept assignment of the Southern Star Central, ANR Pipeline, and Panhandle Eastern Pipeline contracts to be assigned from Aquila to EDG, and that these pipelines have consented (as required) to the assignment of all applicable transportation and storage contracts from Aquila to EDG.

* Empire represents that EDG has the creditworthiness and ability to contract with gas supply and financial counterparties on a firm basis to provide reliable gas supplies and financial hedging tools. Empire has agreements with adequate and reliable suppliers sufficient to supply the needs of the newly-acquired gas system. Any transactions under these agreements will be separate and have separate confirmations from any gas supplies dedicated to the EDE electric operations

* Empire and Aquila represent that this transaction will not have any detrimental effect on either Empire's or Aquila's Missouri utility customers, including, but not limited to: increased rates or any effect on quality of service.

* EDG represents that for its gas supply planning, transportation, and storage acquisition, including injection and withdrawal plans, it will not consider its transportation customers' gas supply and related storage and transportation arrangements as a source of system supply.

Any instance of material misrepresentation or nondisclosure by Aquila, EDE or EDG with respect to any matter relevant to this Stipulation shall be grounds for any Signatory to bring an action against the entity making the misrepresentation or failing to make the disclosure. The nature of the action will be dependent on the nature of the misrepresentation or nondisclosure;

such actions may include, as appropriate, actions seeking the imposition of penalties and actions requesting correction of any situation resulting from the misrepresentation or nondisclosure.

APPROVAL OF THE TRANSACTION

6. Accordingly, the Signatories agree that:

I. GENERAL

(a) The Commission should issue an Order authorizing Aquila, Inc. to sell, transfer and assign to EDG and authorizing EDG to acquire certain assets and liabilities of Aquila's Missouri jurisdictional gas utility operations (the "Business") as described in the Asset Purchase Agreement attached to the Joint Application as Appendix 2, as amended by Amendment No. 1 to the Asset Purchase Agreement, dated February 27, 2006, (the Asset Purchase Agreement and Amendment No. 1 to the Asset Purchase Agreement are collectively referred to as the "Purchase Agreement").

(b) The Commission should issue an Order directing Aquila, EDE and EDG to comply with the terms and conditions contained in this Stipulation and authorizing them to comply with the Purchase Agreement. Unless specified in this Stipulation, EDG understands and agrees that it has the same rights and obligations regarding matters before this Commission that Aquila had regarding the subject gas properties and operations. However, nothing in these conditions shall affect the obligations, liabilities, responsibilities or duties of Aquila and Empire to each other as set forth in the Purchase Agreement, however denominated in the Purchase Agreement.

(c) Subject to the terms and conditions of the Stipulation, the Commission should issue an Order authorizing Aquila, EDE and EDG to enter into, execute and perform in accordance with the terms of all other documents not inconsistent with this Stipulation which

may be reasonably necessary and incidental to the performance of the transaction and granting Aquila, EDE and EDG such other relief as may be necessary to consummate the sale, transfer and assignment of the assets and related transactions.

(d) Subject to the terms and conditions agreed to in this Stipulation, the Commission should issue an Order 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 (as defined in the Joint Application), and, in connection therewith, waiving the requirements of 4 CSR 240-3.205.

(e) The Commission should issue an Order authorizing Empire to pledge the assets obtained through this transaction to finance the purchase.

(f) The Commission should terminate Aquila's responsibility as a gas corporation in Missouri at closing.

(g) Empire and Aquila agree to respond to all outstanding Data Requests in this case by the Data Request response due dates for this case. The non-applicant Signatories' lists of conditions were provided in reliance upon information provided by Aquila and Empire. In the event Aquila or Empire knowingly failed to provide the non-applicant Signatories with material and relevant information requested by the non-applicant Signatories during the process of discovery, or in the event that Aquila or Empire knowingly misrepresented facts material and relevant to the Data Request responses provided by them to the non-applicant Signatories, the non-applicant Signatories reserve the right to withdraw their support for the Stipulation prior to a final Commission Report and Order in this case.

(h) Empire agrees that the responsibility to see that this transaction is financially viable rests solely with EDG. This paragraph (h) does not limit EDG's ability to make tariff or case filings with the Commission to make changes in its rates, tariffs, rules or regulations.

(i) EDG agrees to offer employment to all of the Aquila employees currently involved in field operations on the natural gas distribution system being transferred to EDG in this transaction. EDG agrees that it will not reduce the number of field operations employee positions on such natural gas system by more than 20% in any calendar year without first notifying Staff at least 90 days prior to implementation of such plan.

(j) The Signatories agree that nothing in the approval or implementation of this proposed acquisition shall impair the Commission's ability to protect customers from any detrimental effects from this transaction.

II. GAS SUPPLY SERVICES

(a) By March 15, 2006, Aquila and EDG will have executed an agreement providing for and listing the gas supply transition services and their term (as shown on Exhibit 1.1-E and Schedule 1.1 attached hereto) that will be provided by Aquila. Also attached hereto is a spreadsheet entitled "Gas Supply & Services Functional Transition". EDG and Aquila represent that the services listed on Exhibit 1.1E and Schedule 1.1 and the Gas Supply & Services Functional Transition spreadsheet are a comprehensive list of all material existing gas supply services (defined to include all aspects of acquiring natural gas and administering the natural gas function) and end-user transportation services as presently performed by Aquila.

(b) Aquila will develop its traditional hedging plan for the winter of 2006-2007 with the collaboration of EDG. On or before May 15, 2006, Aquila and EDG shall submit and present

a hedging plan for the winter of 2006-2007 in at least as much detail as Aquila's traditional hedging plan. EDG agrees that subsequent hedging plans will:

- (i) be in at least as much detail as the former Aquila plan;
- (ii) include a planning time horizon beyond one year; and
- (iii) be submitted and presented by May 1 of each year.

EDG will develop, with Aquila's assistance, and submit a plan in the same detail as listed in section (g) within 3 months after closing.

(c) Aquila will not delay normal gas supply planning and hedging related to the operation of these properties prior to the sale of these properties.

(d) Aquila will transfer for the benefit of Missouri customers all physical hedges still in place for their Missouri gas operations to EDG at closing. EDG agrees that it will reflect the same cost for natural gas that would have otherwise been attributable to the operation of these properties absent this sale and transfer of assets. Aquila and EDG agree to provide to Staff and OPC a listing of all financial hedges related to these properties that were liquidated in accordance with the Purchase Agreement. Such list will include the terms and conditions for each liquidated financial hedge. Aquila agrees to provide to Staff and OPC copies of brokerage statements related to any liquidated financial hedges in accordance with the Purchase Agreement.

(e) Aquila agrees to transfer to EDG copies of all records and documents related to ACA cases. EDG will not assert its inability to obtain Aquila's records and/or its inability to have access to Aquila personnel as a defense against disallowance in future ACA cases.

(f) The gas supply plan shall be consistent with the balancing and curtailment provisions as set out in the adopted tariffs as the same may be changed from time to time as provided by law.

(g) Within three months after closing of the transaction, and annually in May thereafter, EDG shall submit to the Staff and OPC a plan including the elements in (b) above, plus the following:

(i) Peak day demand studies for each EDG natural gas service area, estimating projected peak day (coldest day requirements) for the next five years and the capacity available to meet such requirements;

(ii) EDG's gas supply plans for normal, cold, and warm weather;

(iii) EDG's Hedging Plans including strategies and control policies;

(iv) Any planned use of natural gas parking, balancing, transportation, storage, and supply contracts by non-LDC divisions or affiliates;

(v) Listing by contract number and MDQ, MSQ, etc., of all natural gas supply, transportation, and storage contracts used by EDG;

(vi) Capacity release and Off-system sales procedures (including any capacity release and/or Off-system sales utilized for Empire's power generation);

(vii) Any sharing of gas procurement functions between EDE electric operations and EDG gas operations;

(viii) Storage plans for each of the natural gas service areas of EDG; and

(ix) Copy of algorithm used by EDG for short-term demand forecast by natural gas service area in order to accurately adjust nominations.

(h) EDG agrees that not later than 180 days after close of the transaction, EDG will acquire an electronic system or develop an in-house system with customer functionality similar to Aquila's GasTrak Online system and in conformance with EDG's tariffs. EDG agrees that it will develop employee and customer procedures, and communicate to and train its employees, regarding the operation of the gas properties consistent with these procedures prior to the termination of Aquila-provided transition services.

(i) EDG agrees to provide, once every 60 days after close of the transaction until termination of gas supply transition services by Aquila, a status report of the progress being made towards the assumption by EDG of the gas supply transition services that are being provided by Aquila. Not less than 30 days prior to the termination of gas supply transition service from Aquila, EDG will hold a technical conference with the Signatories to describe how the gas supply transition services will be provided by EDG.

III. TARIFFS

(a) EDG agrees to file tariffs to be effective upon closing of the transaction adopting the rates, tariffs, rules and regulations for gas service in effect for Aquila's Missouri jurisdictional gas utility operations which are the subject of this proceeding. Furthermore, the Commission should issue an Order authorizing EDG to provide natural gas service in the areas served by such gas utility operations in accordance with the rules, regulations, rates and tariffs of Aquila as are 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.

(b) EDG agrees to provide services to gas marketers under the adopted tariffs, as the same may be changed from time to time as provided by law, and the marketer agreements transferred as part of the transaction in the proposed service area of EDG for the remaining term of such marketer agreements.

(c) EDG agrees to provide CEI with (i) daily telemetry reads, (ii) reports similar to those previously provided to CEI by Aquila until September 30, 2007, as described in the Business Transfer Agreement dated September 27, 2002 by and between Aquila and CEI and (iii) billing, meter reading, account set-up, and maintenance services with respect to “CEI Customers” on the Missouri natural gas distribution system as defined in the Billing and Other Services Agreement dated September 30, 2002 by and between Aquila and CEI until September 30, 2007. Subsequent to September 30, 2007, EDG agrees to provide services to CEI comparable to those provided to all gas marketers, pursuant to the provisions of EDG tariffs (as the same may be changed from time to time as provided by law) and any gas marketer agreements then in effect between EDG and CEI. These services will include daily telemetry reads and reports similar to those previously provided to CEI by Aquila. Any reports provided to CEI other than standard marketer reports provided to other gas marketers shall be provided on a fee basis. EDG agrees to provide these reports to any other gas marketer on the same terms and conditions as agreed to with CEI.

(d) Aquila agrees that it will transfer to EDG the rights associated with the existing interstate pipeline transportation and storage contracts that support Aquila’s Missouri jurisdictional gas utility operations.

IV. RECORDS

(a) Aquila agrees to transfer to EDG, and EDG agrees to maintain, financial and operational data for a minimum of five calendar years (2001 – 2005), and 2006 through final closing and transfer, for Aquila’s Missouri jurisdictional gas utility operations which are the subject of this proceeding. All vintage tax, property unit catalog records and plant mortality and salvage data, that currently exist, will be transferred from Aquila and maintained by EDG. Such data will be readily available to Staff and Public Counsel upon request and will be maintained in its current form or a form that is mutually acceptable to EDG, Staff and Public Counsel or as otherwise ordered by the Commission.

(b) EDG agrees to maintain all records necessary to meet the requirements of the Uniform System of Accounts, gas utility depreciation studies and rate case filings. Data maintained and provided for gas utility depreciation studies will include cost of removal and salvage associated with plant retirements. This data will be provided to Staff in Staff’s requested format or as ordered by the Commission.

(c) EDG agrees to use the current approved depreciation rates for Missouri gas properties acquired from Aquila as shown on the list attached hereto as Appendix 1 and incorporated herein by this reference, until the same may be changed from time to time as provided by law. EDG will also maintain plant by account that allows for the specific identification of the property acquired from Aquila.

(d) Beginning with the first month after the closing of the transaction, EDG agrees to provide monthly gas financial surveillance reports similar to those previously provided by Aquila, which shall be considered Highly Confidential, to the manager of the Commission’s Auditing Department.

(e) EDG and Aquila shall provide the Staff and OPC with all closing entries to record the purchase and sale of Aquila's Missouri gas properties which are the subject of this proceeding.

(f) EDG will develop a cost allocation manual, and EDE will revise its existing cost allocation manual to reflect the acquisition of the Business and, within six months following the final closing of the transaction, submit the manuals to the Signatories. The manuals shall be considered Highly Confidential under the provisions of the protective order in this case except for the requirement to destroy or return the material at the closing of this case.

(g) After conversion from Aquila's billing system to EDG's billing system, EDG agrees to provide quarterly to the Commission's Energy Department the following monthly natural gas sales (units) and natural gas revenue data:

(i) Revenue Report – This report will include, at a minimum, data on billed sales (units), number of customers, rate revenue collected through the PGA charge, and rate revenue collected through the margin charge by revenue month, by rate schedule/rate code, and by operating division (L&P, MPS-North, MPS-South). Taxes and franchise fees should be excluded from all rate revenue data. This data shall be provided in an EXCEL spreadsheet format.

(ii) Booked Revenues – This report should contain monthly gas revenues recorded by FERC account in EDG's general ledger. Billed and unbilled gas revenues should be recorded separately.

(iii) Booked Sales (Units) – This report should contain the monthly gas sales (units) that are consistent with the revenues recorded in EDG's general ledger.

(iv) Reconciliation between Billed and Booked Sales and Revenues – This report should provide the computation of any adjustments made to the billed data from the Revenue Report in compiling the booked data in (ii) and (iii) immediately above.

V. ELECTRIC REGULATORY PLAN

EDE agrees to adjust the amortization required to meet the financial ratio targets in the Electric Regulatory Plan (Case No. EO-2005-0263) to eliminate any adverse impacts that result from the purchase of Aquila's Missouri gas properties, if necessary. EDE reiterates its agreement in the Stipulation and Agreement in Case No. EO-2005-0263 that it will not seek to recover in Missouri jurisdictional electric rates any adverse impact that the acquisition of the gas properties from Aquila by EDG may have on EDE's electric operations. EDE also agrees that any adverse impacts on cash flows or other factors used in the calculation of the financial ratio targets in the Electric Regulatory Plan (Case No. EO-2005-0263) which results from the purchase which is the subject of this case will be eliminated from the calculation of such financial ratio targets.

VI. PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS (OPEBs)

(a) EDG agrees that the total amount transferred from Aquila for pension liabilities will be deposited into the Empire pension fund. The amount transferred to EDG by Aquila for pensions shall be in accordance with the terms and conditions contained in the Purchase Agreement. EDG may reflect pensions for the employees transferred from Aquila consistent with the accounting approved in EDE's last rate case, Case No. ER-2004-0570, for financial statement purposes. However, EDG must maintain the records necessary to determine the expense and account balances that would exist according to Aquila's current regulatory pension accounting, through the time period of the next EDG general rate proceeding.

(b) EDG and/or EDE agree to calculate FAS 87 and FAS 106 costs, for pensions and OPEBs, respectively, without regard to purchase accounting for regulatory purposes.

(c) EDG agrees that the total amount transferred related to OPEB liabilities from Aquila will be deposited into the appropriate VEBA fund. The amount transferred to EDG by Aquila for OPEBs shall be in accordance with the terms and conditions contained in the Purchase Agreement.

VII. GAS SAFETY

(a) EDG agrees to retain all the Aquila maintenance/operations records for the facilities which are the subject of this transaction and maintain the records necessary to demonstrate compliance with specific requirements of the pipeline safety regulations and agrees to keep these records available for inspection.

(b) EDG agrees to ensure that call center personnel that may receive leak and odor calls from the public are properly trained. During the transition, EDG agrees to have a procedure in place to handle these calls or transfer them to Aquila personnel for processing.

(c) Within 90 days after closing of the transaction, EDG agrees to file for a variance from the Commission's 10-year meter testing requirements in order to continue testing meters using a statistical sampling program instead of testing each meter every 120 months.

(d) During the period that Aquila is providing transition services to EDG, operations may be conducted under Aquila's plans, programs and manuals. Within 90 days after the closing of the transaction, EDG agrees to submit to the Staff (and send copies to the other non-applicant Signatories in this case) the following plans, programs and manuals:

(i) An Operations and Maintenance (O&M) manual. This manual must contain all procedures used to comply with sections 9 through 14 of the PSC pipeline safety regulations. *See 4 CSR 240-40.030(12)(C).*

(ii) A written program for Qualification of Pipeline Personnel. The program must be completed for all individuals performing covered tasks. Be advised that under the current Missouri regulations, employees can only perform functions for which they have had appropriate training and testing. *See 4 CSR 240-40.030(12)(D).*

(iii) An Emergency Manual. This manual must contain procedures to deal with emergencies as specified in section (12)(J) of the PSC pipeline safety regulations. *See 4 CSR 240-40.030(12)(J).*

(iv) An Anti-Drug Plan and Alcohol Misuse Plan. *See 4 CSR 240-40.080 [49 CFR Parts 40 & 199].*

(v) A Damage Prevention Program and membership in Missouri One Call System, Inc. This program will address the notification of the public and potential excavators in the vicinity of the pipeline about how to learn the location of the buried pipeline before excavation. *See 4 CSR 240-40.030(12)(I).*

(vi) A Public Education Program. This program will provide continuing education to the public in the vicinity of the pipeline, as well as government officials, excavators, and the customer about how to recognize a gas pipeline emergency for the purpose of reporting it to the operator. *See 4 CSR 240-40.030(12)(K).*

(vii) An Integrity Management Plan.

(e) EDG agrees to develop a Public Awareness Plan, and have the written plan completed by June 20, 2006 if the closing of the transaction has occurred by such date, which

must follow the guidance provided in the American Petroleum Institute's (API) Recommended Practice (RP) 1162.

VIII. CHILLICOTHE MANUFACTURED GAS PLANT SITE

(a) The Signatories agree that EDG may reflect on its balance sheet the liability and offsetting regulatory asset, not to exceed \$260,000, for the owned former manufactured gas plant site at Chillicothe (the Chillicothe site), being transferred as part of the Purchase Agreement, in accordance with American Institute of Certified Public Accountants Technical Practice Aid Statement Of Position 96-1. Nothing in this Stipulation prohibits EDG from seeking Commission approval to modify the \$260,000 amount. Nothing in this Stipulation precludes the non-EDG Signatories from opposing any such request.

(b) EDG may request recovery in a future rate case of actually incurred expenditures for the remediation of the Chillicothe site acquired in this transaction. EDG agrees not to seek recovery in any future rate case for remediation expenditures that EDG has not actually incurred. To the extent that actually incurred remediation expenditures are found to be imprudent or unnecessary, EDG agrees that such expenditures are not to be recovered from EDG's gas customers. Nothing in this Stipulation precludes the non-EDG Signatories to this Stipulation from opposing the recovery of any such expenditures in a future rate case.

IX. RATE MORATORIUM

EDG agrees that it will not file a rate increase request for non-gas costs for a period of 36 months following the date of closing, unless there is the occurrence of a significant, unusual event that has a major impact on any of its service territories such as (i) terrorist activity or an act of God; (ii) a significant change in federal or state tax laws; or (iii) a significant change in federal

or state utility or environmental laws or regulations. The other Signatories agree that they will not file an earnings complaint against EDG during the same period.

X. QUALITY OF SERVICE

(a) Empire agrees that it will track and report the number of its call center employees, including call center representatives and call center management. These monthly staffing numbers will be reported on a quarterly basis to the Staff and the Office of the Public Counsel. Further, Empire will report to the Staff and the Office of the Public Counsel when Empire implements Integrated Voice Response technology (IVR) in the operations of its call centers.

(b) EDG agrees to provide written notice to all Missouri natural gas customers in the Aquila gas system (*i.e.*, Aquila's Missouri jurisdictional gas utility operations which are the subject of this proceeding) to inform them of the change in management and ownership of such system, including EDG's address and applicable phone numbers. The written notice should include information that the EDG system will continue to be subject to regulation for service and rates by the Missouri Public Service Commission. EDG agrees to provide this notice to the affected customers at least 15 days prior to the date of closing.

XI. ACQUISITION ADJUSTMENT

(a) EDG agrees that it will not seek to recover any of the acquisition costs and acquisition premium associated with this transaction in any future rate proceeding unless and until there is a change in the Generally Accepted Accounting Principles ("GAAP") that, unless otherwise ordered by the Commission, would require EDG to write-off any portion of the acquisition premium and such write-off would have a significant deleterious effect on EDG. EDG agrees that in any case in which it seeks recovery of any portion of the acquisition premium, it must prove that such recovery does not make the transaction as a whole detrimental

to its customers. EDG agrees that it will not seek recovery of any portion of the acquisition premium in any case filed later than fifteen years after the effective date of the order approving this Stipulation. The Signatories reserve the right to oppose any request by EDG to recover any portion of the acquisition premium.

(i) This condition does not prohibit EDG from reflecting the acquisition adjustment resulting from this transaction for financial statement purposes. The amount of the acquisition adjustment will be maintained in a separate account specifically identified as related to this transaction. EDG may amortize the acquisition adjustment to income for financial statement purposes in Account 426.

(ii) All documentation regarding the purchase of Aquila's Missouri jurisdictional gas utility operations which are the subject of this proceeding will be maintained by EDG and Aquila through the effective date of the rates in EDG's next general rate proceeding following the close of this transaction.

XII. MISCELLANEOUS PROVISIONS

7. The Signatories further agree that:

(a.) This Stipulation has resulted from negotiations among the Signatories and the terms hereof are interdependent. In the event the Commission does not adopt this Stipulation in total, then this Stipulation shall be void and no Signatory shall be bound by any of the agreements or provisions hereof. The stipulations herein are specific to the resolution of this proceeding, and all stipulations are made without prejudice to the rights of the Signatories to take other positions in other proceedings except as otherwise specifically provided herein.

(b) This Stipulation is being entered into for the purpose of disposing of all issues in this case. The Signatories represent that the terms of this Stipulation constitute a fair and reasonable resolution of the issues addressed herein, in a manner which is not detrimental to the public interest. Except as otherwise addressed herein, none of the Signatories to this Stipulation shall be deemed to have approved, accepted, agreed, consented or acquiesced to any accounting principle, ratemaking principle or cost of service determination underlying, or supposed to underlie any of the issues provided for herein.

8. In the event the Commission accepts the specific terms of this Stipulation without modification, the Signatories waive, with respect to the issues resolved herein: their respective rights pursuant to Section 536.070(2), RSMo 2000 to call, examine and cross-examine witnesses; their respective rights to present oral argument or written briefs pursuant to Section 536.080.1, RSMo 2000; their respective rights to the reading of the transcript by the Commission pursuant to Section 536.080.2, RSMo 2000; their respective rights to seek rehearing pursuant to Section 386.500, RSMo 2000; and their respective rights to judicial review pursuant to Section 386.510, RSMo 2000. Furthermore, in the event the Commission accepts the specific terms of this Stipulation without modification, the Signatories agree that the prefiled testimony of all witnesses who have prefiled testimony in this case shall be included in the record of this proceeding without the necessity of such witnesses taking the stand.

9. The Staff shall, not later than March 13, 2006, file suggestions or a memorandum in support of this Stipulation. Each of the other Signatories shall be served with a copy of any such suggestions or memorandum and shall be entitled to submit to the Commission, within five (5) business days of receipt of Staff's suggestions or memorandum, responsive suggestions or a

responsive memorandum which shall also be served on all Signatories. The contents of any memorandum provided by any Signatory are its own and are not acquiesced in or otherwise adopted by the other Signatories to this Stipulation, whether or not the Commission approves and adopts this Stipulation.

10. The Staff shall also have the right to provide, at any agenda meeting at which this Stipulation is noticed to be considered by the Commission, whatever oral explanation the Commission requests, provided that the Staff shall, to the extent reasonably practicable, promptly provide other Signatories with advance notice of when the Staff shall respond to the Commission's request for such explanation once such explanation is requested from Staff. Staff's oral explanation shall be subject to public disclosure, except to the extent it refers to matters that are privileged or protected from disclosure pursuant to any Protective Order issued in this case.

11. Except as otherwise addressed in this Stipulation, Commission approval of the sale and the authority of EDE, EDG and Aquila to execute and perform in accordance with the terms of the Purchase Agreement, does not in any way limit, form a basis for determination, or constitute a defense against any Signatory proposing, or the Commission ordering, the disallowance and/or imputation of account balances, expenses, revenues and/or other ratemaking findings, regarding the EDG Missouri Gas properties, in a future rate proceeding

12. To assist the Commission in its review of this Stipulation, the Signatories also request that the Commission advise them of any additional information that the Commission may desire from the Signatories relating to the matters addressed in this Stipulation, including any procedures for furnishing such information to the Commission.

WHEREFORE, the Signatories respectfully request that the Commission issue its order approving the proposed transaction and approving and adopting this Stipulation and Agreement in total, and by said order:

(a) authorize Aquila, Inc. to sell, transfer and assign to EDG and authorize EDG to acquire certain assets and liabilities of Aquila's Missouri jurisdictional gas utility operations as described in the Purchase Agreement (as defined in this Stipulation);

(b) direct Aquila, EDE and EDG to comply with the terms and conditions contained in this Stipulation and authorize them to comply with the Purchase Agreement;

(c) authorize Aquila, EDE and EDG to enter into, execute and perform in accordance with the terms of all other documents not inconsistent with this Stipulation which may be reasonably necessary and incidental to the performance of the transaction and grant Aquila, EDE and EDG such other relief as may be necessary to consummate the sale, transfer and assignment of the assets and related transactions;

(d) grant 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 (as defined in the Joint Application), and, in connection therewith, waive the requirements of 4 CSR 240-3.205;

(e) authorize EDG to provide natural gas service in the areas served by such gas utility operations in accordance with the rules, regulations, rates and tariffs of Aquila as are 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

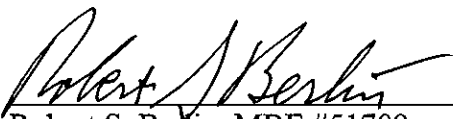
authorize EDG to adopt said tariff sheets and to operate under the same as they may be changed from time to time as provided by law;

(f) authorize Empire to pledge the assets obtained through this transaction to finance the purchase;

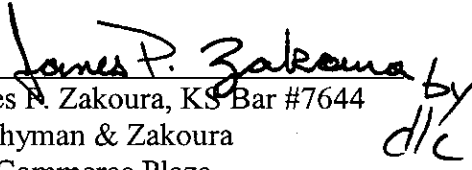
(g) authorize Aquila to terminate its responsibility as a gas corporation in Missouri at closing; and

(h) authorize EDG to use the current approved depreciation rates for Missouri gas properties acquired from Aquila as shown on the list attached hereto as Appendix 1, until the same may be changed from time to time as provided by law.

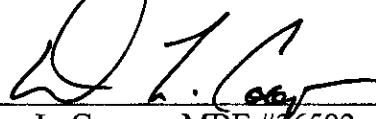
Respectfully submitted,


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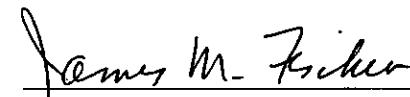
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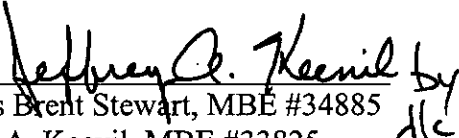
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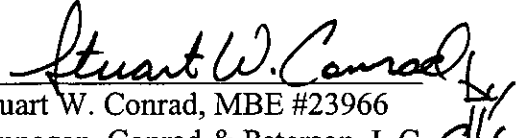

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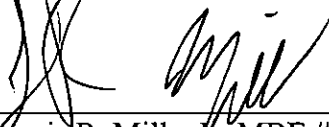
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OFFICE OF THE PUBLIC COUNSEL

CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing Unanimous Stipulation and Agreement have been mailed, hand-delivered, transmitted by facsimile or electronically mailed to all counsel of record this 28th day of February, 2006.



Exhibit 1.1-E
Form of Transition Services Agreement

Transitional Services Agreement (“Services Agreement”) made as of _____, _____ (the “Execution Date”) by and between Aquila, Inc., a Delaware corporation (“Aquila”), and The Empire District Electric Company, a Kansas corporation (“Buyer”). Aquila and Buyer are referred to collectively as the “Parties” and each individually as a “Party.”

WHEREAS, Aquila is selling certain assets and assigning certain liabilities to Buyer pursuant to that certain Asset Purchase Agreement dated as of September 21, 2005 between Aquila and Buyer (the “Purchase Agreement”);

WHEREAS, in connection with the transactions contemplated by the Purchase Agreement, Buyer desires that Aquila provide certain transitional services to Buyer in respect of the Business;

WHEREAS, Aquila has agreed to provide certain transitional services to Buyer in accordance with the terms and conditions of this Services Agreement; and

WHEREAS, capitalized terms used but not defined herein have the meanings ascribed to them in the Purchase Agreement;

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

ARTICLE I
SERVICES

1.1 The Services. Aquila will provide Buyer the transitional services set forth on Schedule 1.1 (the “Services”).

1.2 Service Parameters. Aquila will provide the Services only to the extent that the Services were provided by Aquila for the Business prior to the date hereof, and only for purposes of supporting the conduct of the Business substantially in the manner it was conducted prior to the date hereof.

1.3 Performance Exceptions. Aquila is not required to provide any Service to the extent the provision thereof (i) becomes impracticable, in any material respect, as a result of a cause or causes outside of Aquila’s reasonable control (including any labor dispute or labor or materials shortage or interruption), or (ii) would require Aquila to violate any Law, Order, or other binding commitment or obligation of Aquila to any Governmental Entity or other third party.

1.4 Cooperation; Information and Access. The Parties will cooperate in good faith in all matters relating to the provision and receipt of the Services. Without limiting

the generality of the foregoing, Buyer will provide Aquila, in a timely manner, all information and access to facilities required or reasonably requested by Aquila in connection with providing the Services.

1.5 Additional Resources. In providing the Services, Aquila is not obligated to (i) hire any additional employees, (ii) maintain the employment of any specific employee, or (iii) purchase, lease, or license any additional equipment or materials.

ARTICLE II TERM AND TERMINATION

2.1 Term. The Services will commence on the date hereof and terminate as provided on Schedule 1.1.

2.2 Termination. This Services Agreement or Aquila's obligation to provide all or any of the Services may be terminated by the mutual written consent of the Parties at any time. In addition, except as otherwise provided on Schedule 1.1, Buyer may terminate this Services Agreement, or Aquila's obligation to provide any particular Service hereunder, at any time by providing not less than 30 days prior written notice to Aquila. If any such termination is with respect to less than all of the Services, then Aquila will continue to be obligated to provide the remaining Services in accordance with this Services Agreement.

2.3 Effect of Termination. Upon the termination of this Services Agreement or Aquila's obligation to provide all or any of the Services, the Parties will have no further obligations hereunder with respect to the terminated Service or Services; provided, however, that notwithstanding such termination (i) Buyer will remain liable to Aquila for all amounts payable in respect of the terminated Services provided prior to the effective date of the termination, and (ii) the provisions of Articles II, IV, V, and VII of this Services Agreement will survive any such termination indefinitely.

ARTICLE III COMPENSATION

3.1 Fee for Services. Buyer will compensate Aquila for the Services in accordance with Schedule 1.1 and this Article III.

3.2 Payment Terms. Aquila will bill Buyer on a monthly basis for all Services provided hereunder. Such bills will be accompanied by documentation reasonably supporting the amounts shown as payable thereunder, and must be paid by Buyer within 30 days after receipt. Late payments will bear interest at the Prime Rate plus 5%.

3.3 Sales and Use Taxes. For state and local sales and use tax purposes, Aquila and Buyer will cooperate in good faith to segregate amounts payable under this Services Agreement into the following categories: (i) taxable Services; (ii) non-taxable Services; and (iii) payments made by Aquila merely as a purchasing agent for Buyer in

procuring goods or services. Aquila will collect from Buyer all state and local sales and use taxes in respect of the Services and will timely remit such taxes to the appropriate state and local tax authorities. Buyer will pay such taxes to Aquila monthly, or as otherwise reasonably required by Aquila. Within 20 days following the receipt by Aquila of notice thereof, Aquila will notify Buyer of the commencement of any sales or use tax audit by a taxing authority which involves any Services provided hereunder or any payments made by Aquila as purchasing agent pursuant hereto. Thereafter, Buyer may, at its own expense, participate in the defense of that audit to the extent related to any such Services or payments. Buyer will be responsible for any additional taxes imposed in respect of the Services, and all related interest, as a result of any such sales or use tax audit.

ARTICLE IV PERFORMANCE STANDARDS; DISCLAIMER; LIMITATION OF LIABILITY

4.1 Performance Standards. Aquila will provide the Services in accordance with its policies, procedures, and practices in effect immediately prior to the date hereof and, in providing the Services, will exercise the same degree of care and skill as it exercises in providing similar functions for its own operations.

4.2 **DISCLAIMER OF WARRANTIES. EXCEPT AS OTHERWISE SET FORTH HEREIN, AQUILA MAKES NO REPRESENTATIONS OR WARRANTIES, EXPRESS, IMPLIED, OR STATUTORY, INCLUDING BUT NOT LIMITED TO THE IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, WITH RESPECT TO THE SERVICES OR OTHER DELIVERABLES PROVIDED BY IT HEREUNDER.**

4.3 Indemnification. Buyer agrees to indemnify and hold harmless Aquila and its directors, officers, employees, and agents from and against any and all Losses arising out of, or resulting from, third party claims regarding the provision of the Services by Aquila hereunder, other than Losses arising or resulting from Aquila's gross negligence or willful misconduct.

4.4 Limitation of Liability. In no event will Aquila be liable to Buyer for any lost profits, loss of data, loss of use, business interruption, or other special, incidental, indirect, punitive, or consequential damages, however caused, under any theory of liability, arising from Aquila's performance of, or relating to, the Services or this Services Agreement.

ARTICLE V RELATIONSHIP BETWEEN THE PARTIES

The relationship of Aquila to Buyer under this Services Agreement is that of an independent contractor, and Aquila will not be deemed an employee, partner, joint venturer, or agent of Buyer in connection with the provision of the Services by Aquila. Aquila will be solely responsible for the payment of any employment-related costs, taxes, or benefits in respect of the provision of the Services.

ARTICLE VI SUBCONTRACTORS

Aquila may engage one or more subcontractors to provide all or any portion of the Services, provided that Aquila remains directly responsible for its obligations hereunder.

ARTICLE VII MISCELLANEOUS

7.1 Amendment and Modification. This Services Agreement may be amended, modified, or supplemented only by written agreement of the Parties.

7.2 Waiver of Compliance; Consents. Except as otherwise provided in this Services Agreement, any failure of either Party to comply with any obligation, covenant, agreement, or condition herein may be waived by the Party entitled to the benefits thereof only by a written instrument signed by the Party granting such waiver, but such waiver or failure to insist upon strict compliance with such obligation, covenant, agreement, or condition will not operate as a waiver of, or estoppel with respect to, any subsequent or other failure.

7.3 Notices. All notices and other communications hereunder shall be made in accordance with, and in the manner provided by, the provisions for notices and other communications in the Purchase Agreement.

7.4 Assignment. This Services Agreement is binding upon and inures to the benefit of the Parties and their respective successors and permitted assigns, but neither this Services Agreement nor any of the rights, interests, or obligations hereunder may be assigned by either Party without the prior written consent of the other Party, except that Aquila may (i) engage one or more subcontractors to provide all or any portion of the Services in accordance with Article VI above or (ii) assign this Agreement, without the consent of Buyer, to any Person that acquires, by purchase, merger, reorganization, or otherwise, all or substantially all of Aquila's assets. Other than as provided in the preceding sentence, this Services Agreement does not confer upon any Person other than the Parties any rights or remedies hereunder.

7.5 Governing Law. This Services Agreement is governed by and construed in accordance with the laws of the State of Missouri (regardless of the laws that might otherwise govern under applicable principles of conflicts of law) as to all matters, including but not limited to matters of validity, construction, effect, performance, and remedies.

7.6 Severability. Any term or provision of this Services Agreement that is invalid or unenforceable in any situation in any jurisdiction will not affect the validity or enforceability of the remaining terms and provisions hereof or the validity or enforceability of the offending term or provision in any other situation or in any other jurisdiction.

7.7 Entire Agreement. This Services Agreement will be a valid and binding agreement of the Parties only if and when it is fully executed and delivered by the Parties, and until such execution and delivery no legal obligation will be created by virtue hereof. This Services Agreement, together with the Schedules hereto (which are incorporated herein by this reference), (i) embodies the entire agreement and understanding of the Parties hereto in respect of provision of transitional services by Aquila to Buyer in connection with the transactions contemplated by the Purchase Agreement, and (ii) supersedes all prior agreements and understandings between the Parties with respect to such transitional services.

7.8 Delivery. This Services Agreement may be executed in multiple counterparts (each of which will be deemed an original, but all of which together will constitute one and the same instrument), and may be delivered by facsimile transmission, with originals to follow by overnight courier or certified mail (return receipt requested).

[Signature Page Follows]

IN WITNESS WHEREOF, the Parties have caused this Services Agreement to be signed by their respective duly authorized officers as of the date first above written.

Aquila, Inc.

By: _____
Name:
Title:

The Empire District Electric Company

By: _____
Name:
Title:

Schedule 1.1
The Services (and Terms); Fee for Services

Gas Supply and Services

The Services, together with the termination date for each, are set forth below:

Service/Function	Term
Daily Operations & Reliability	3/31/07
Daily Requirement Setup	3/31/07
Monthly Requirement Setup	3/31/07
Capacity Release	3/31/07
Storage Management	3/31/07
Daily/Monthly Nominations	3/31/07
Point Operator	3/31/07
Design Day Studies	3/31/07
Pipeline Communication	3/31/07
Portfolio Plan	3/31/07
Measurement	3/31/07
Transportation Administration	3/31/07
Transportation Billing	3/31/07
Measurement/Meter Reading	3/31/07
KC Customer Support	3/31/07
PGA Support/Regulatory	3/31/07
All Other Gas Supply Services Performed	3/31/07

The Parties agree that the fees, costs and expenses to be paid by Buyer to Aquila for the Services provided under this Services Agreement will include:

1. Fees. The fees payable by Buyer to Aquila for the Services will be based on the fully-allocated direct and indirect inter-business unit amounts allocated by Aquila to the Business for the Services, as calculated by Aquila in a manner consistent with past practice prior to the Execution Date, and

2. Costs and Expenses. The Buyer will reimburse Aquila for all out-of-pocket costs and expenses incurred by Aquila in the provision of the Services.

3. Extension: Aquila agrees to extend the term for 3 months if requested by buyer, and

4. Access and Training: Aquila agrees to provide access to Aquila personnel and systems for training Buyer personnel as requested by Buyer.

GO-2006-0205 Gas Supply & Services Functional Transition

Function	Provider	Term or Timing	Transfer	EDE/EDG Staffing
Daily Operations & Reliability				
Daily Requirement Setup	Aquila	Post Closing Transition Period	End of Transition	Experienced Gas Supply Position to be added
Monthly Requirement Setup	Aquila	Post Closing Transition Period	End of Transition	Experienced Gas Supply Position from above
Capacity Release	Aquila	Post Closing Transition Period	End of Transition	Experienced Gas Supply Position from above
Storage Management	Aquila	Post Closing Transition Period	End of Transition	Experienced Gas Supply Position from above
Daily/Monthly Nominations	Aquila	Post Closing Transition Period	End of Transition	Experienced Gas Supply Position from above
Point Operator	Aquila	Post Closing Transition Period	End of Transition	Experienced Gas Supply Position from above
Design Day Studies	Aquila (06/07 Winter)	Post Closing Transition Period	End of Transition	EDE Planning
Pipeline Communication	Aquila	Post Closing Transition Period	End of Transition	Experienced Gas Supply Position from above
Portfolio Plan	Aquila (06/07 Winter)	Post Closing Transition Period	After Update	Existing EDE Planning and Supply Management
Contract Negotiation	EDE/EDG	Closing	Closing	Existing EDE Supply Management
Gas Procurement	EDE/EDG	Closing	Closing	Existing EDE Supply Management
Cost Management	EDE/EDG	Closing	Closing	Existing EDE Fuel Accounting and Payables Accounting
Gas Procurement Accounting & Accounts Payable				
PGA/Regulatory	EDE/EDG	Closing	Closing	Existing EDE Regulatory Dept with 1 Experienced Gas PGA Position from above
PGA Rates, Billing, Regulatory Filings				
Measurement	Aquila	Post Closing Transition Period	End of Transition	Existing EDE Gas Supply, EDE Communciations, EDG Field Operations
Telemetry				
Risk Management	EDE/EDG	Closing	Closing	Existing EDE Risk Management and Existing EDE Supply Management
Hedging				
Transportation Administration	Aquila	Post Closing Transition Period	End of Transition	Experienced Gas Supply Position from above plus administrative support to be added
Data Base Maintenance, Billing, Customer Information, Capacity Release, Pipeline Statement Reconciliation				
Transportation Billing	Aquila	Post Closing Transition Period	End of Transition	Experienced Gas Supply Position from above plus administrative support to be added and Existing EDE Customer Service
CIS, Rate Assignments, Billings, Inquiries				
Measurement/Meter Reading	Aquila-Telemetry	Post Closing Transition Period	ltron at CIS Conversion	EDG Field Operations and EDE Customer Service
Telemetry & Manual				
KC Customer Support	Aquila	Post Closing Transition Period	Partial at CIS Conversion (60 Days Post Closing)	Existing EDE Customer Service
Transportation Customer Support				
PGA Support/Regulatory	Aquila	Post Closing Transition Period	Partial at CIS Conversion (60 Days Post Closing)	Existing EDE Customer Service
Rate Schedules/Rates				
Sales	EDG	Closing	Closing	Experienced Gas Marketing Position to be added
Transport Contracts and Customer Support				

**AQUILA, INC. d/b/a AQUILA NETWORKS-MPS (Gas)
AND AQUILA NETWORKS – L&P (Gas)
CASE NO. GR-2004-0072**

ACCOUNT NUMBER	ACCOUNT	Depreciation Rates (%)	Average Service Life (Yrs.)	Iowa Curve
-	<u>GR-2004-0072</u>			
-				
	<u>TRANSMISSION PLANT</u>			
366.001	Structures and Improvements	2.22	45	S4
367.001	Mains-Metallic	1.67	60	R2.5
369.001	Measuring and Regulating Station Eq.	2.27	44	R1.5
	<u>DISTRIBUTION PLANT</u>			
375.001	Structures and Improvements	2.22	45	R4
376.001	Mains-Metallic	2.22	45	R1
376.002	Mains-Nonmetallic	2.22	45	R4
378.001	Measuring and Regulating Station Eq.-General	2.27	44	R1.5
379.001	Measuring and Regulating Station Eq.-City Gate	2.27	44	R1.5
380.001	Services-Metallic	2.22	45	R3
380.002	Services-Nonmetallic	2.22	45	R4
381.001	Meters	2.50	40	S0.5
383.001	House Regulators	2.50	40	S2
385.001	Measuring and Regulating Station Eq.-Industrial	2.27	44	R1.5
387.001	Other Eq.	0.00		

**AQUILA, INC. d/b/a AQUILA NETWORKS-MPS (Gas)
AND AQUILA NETWORKS – L&P (Gas)
CASE NO. GR-2004-0072**

ACCOUNT NUMBER	ACCOUNT	Depreciation Rates (%)	Average Service Life (Yrs.)	Iowa Curve
	GENERAL PLANT (*)			
390.001	Structures and Improvements	2.22	45	R1.5
391.001	Office Furniture and Eq.	4.55	22	L4
391.003	Computer Hardware	14.29	7	S2
391.004	Computer Software	14.29	7	S2
391.005	Computer Systems Development	14.29	7	S2
392.000	Transportation Eq.	8.33	12	S5
393.000	Stores Eq.	3.70	27	L1
394.000	Tools, Shop and Garage Eq.	3.70	27	L0
395.000	Laboratory Eq.	3.45	29	R2.5
396.000	Power Operated Eq.	6.25	16	S6
397.000	Communication Eq.	3.45	29	S2
398.000	Miscellaneous Eq.	4.35	23	L4

(*) To be used for General Gas, Common and Corporate Assets