

Exhibit No:  
Issues: Overview of Business  
Reasons for Sale  
No Public Detriment  
Witness: Ivan Vancas  
Type of Exhibit: Direct Testimony  
Sponsoring Party: Aquila Networks – MPS  
Aquila Networks – L&P  
Case No: GO-2006-0205

**MISSOURI PUBLIC SERVICE COMMISSION**

**CASE NO. GO-2006-0205**

**DIRECT TESTIMONY**

**OF**

**IVAN VANCAS**

**ON BEHALF OF**

**AQUILA, INC.**

**d/b/a**

**AQUILA NETWORKS – MPS and**

**AQUILA NETWORKS – L&P**

1  
2 **DIRECT TESTIMONY OF IVAN VANCAS**  
3

4 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

5 A. My name is Ivan Vancas and my business address is 1701 48<sup>th</sup> Street, Suite  
6 260, West Des Moines, Iowa.

7 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

8 A. I am presently employed by Aquila, Inc. ("Aquila") as Operating Vice President  
9 for its gas distribution properties in Missouri and Iowa.

10 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND**  
11 **EMPLOYMENT HISTORY.**

12 A. I graduated from Kansas State University in Manhattan, Kansas with a Bachelor  
13 of Science Degree in Electrical Engineering in 1989. I have worked for Aquila  
14 and its predecessor companies since 1989 and have held various positions in  
15 field operations, engineering and management.

16 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE ANY REGULATORY**  
17 **BODIES?**

18 A. Yes. I have testified before the Missouri Public Service Commission ("MPSC")  
19 and the Iowa Utilities Board.

20 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

21 A. The purpose of my testimony is to provide an overview of Aquila Networks –  
22 MPS ("MPS") and Aquila Networks – L&P ("L&P") (collectively, the "Business"),  
23 to explain the reasons why Aquila proposes to sell this system to The Empire

1 District Electric Company (“Empire”), and to discuss why there is no public  
2 detriment arising from this sale.

3 **Q. WHAT IS THE BUSINESS?**

4 A. The Business is two natural gas distribution systems (MPS and L&P) serving  
5 approximately 48,500 residential, commercial, industrial, and transportation  
6 customers in 44 communities throughout western and northwestern Missouri.  
7 The business operates more than 1,100 miles of network pipeline and has 52  
8 employees.

9 **Q. PLEASE DESCRIBE THE MPS SERVICE TERRITORY.**

10 A. MPS is divided into two regions: MPS Northern and MPS Southern. The MPS  
11 Northern region includes the communities of Chillicothe and Trenton, among  
12 others. Natural gas is transported to this region via Panhandle Eastern Pipeline  
13 Company, and gas costs are calculated directly for this region.

14 The MPS Southern region includes the communities of Sedalia, Nevada,  
15 Henrietta, Platte City, and Clinton, among others. Natural gas is transported to  
16 this region via Southern Star Central Pipeline Company, and gas costs are  
17 calculated directly for this region.

18 **Q. PLEASE DESCRIBE THE L&P SERVICE TERRITORY.**

19 A. The L&P service territory covers the northwest corner of the state, including  
20 Maryville and Rock Port. Natural gas is transported to this territory via ANR  
21 Pipeline Company, and gas costs are calculated directly for this territory.

1 **Q. ARE DISTRIBUTION RATES THE SAME FOR THE MPS AND L&P**  
2 **TERRITORIES?**

3 A. No. MPS and L&P have different customer charges and energy charges.  
4 Further, as noted above, the two regions within MPS have separate gas costs.

5 **Q. DO MPS AND L&P OPERATE UNDER THE SAME RULES AND**  
6 **REGULATIONS?**

7 A. Yes. Even though the rates are different, there is one tariff that both territories  
8 operate under.

9 **Q. WHY DID AQUILA PUT THESE ASSETS UP FOR SALE?**

10 A. Starting in 2002, Aquila had executed a number of initiatives designed to  
11 stabilize its financial position. On March 14, 2005, Aquila announced that it  
12 would accelerate its repositioning effort by selectively divesting certain regulated  
13 utility assets in order to further strengthen its balance sheet and provide the  
14 catalyst for future investment in regulated capital projects. To effectuate this  
15 selective divestiture, Aquila offered for sale its natural gas operations in Missouri,  
16 Minnesota, and Michigan, as well as its electric operations in Colorado, Kansas,  
17 and the Aquila Networks - L&P system in Missouri. As described more fully in  
18 the testimony of Thomas Fleener, Aquila ultimately reached sales agreements  
19 with parties for all of the natural gas operations as well as the Kansas electric  
20 operation.

21 **Q. DO YOU BELIEVE THAT THIS SALE IS DETRIMENTAL TO THE PUBLIC**  
22 **INTEREST?**

1 A. No. Aquila proposes to sell these assets to Empire, an established utility  
2 company in the state of Missouri. Aquila understands that Empire intends to  
3 continue serving these customers at the same margin rate and under the same  
4 terms and conditions that Aquila currently serves them. Also, Empire currently is  
5 an all electric utility and my understanding is that all field gas employees will be  
6 retained and employed by Empire. Recent PSC audits of MPS and L&P  
7 operations concluded that Aquila had excellent performance (no probable  
8 violations) in record keeping, mandated maintenance and DOT compliance.  
9 MPS and L&P employees have a long history of providing safe and reliable  
10 service to customers. Since those same employees will continue to operate the  
11 system and serve customers, service and emergency response levels should be  
12 maintained.

13 **Q. WILL ANY OF THE EMPLOYEES ASSOCIATED WITH THIS SYSTEM LOSE**  
14 **THEIR JOBS AS A RESULT OF THE SALE?**

15 A. No. Empire has indicated that it intends to offer employment to all Aquila  
16 personnel directly associated with the Business.

17 **Q. ARE THERE ANY OTHER COMMENTS THAT YOU WOULD LIKE TO MAKE**  
18 **REGARDING THE PROPOSED SALE OF THE BUSINESS?**

19 A. Yes. Empire has a solid reputation for delivering quality service with a customer  
20 friendly spirit for many years in Missouri. The employees directly associated with  
21 the Business will be a good fit with the Empire employee family, as they too have  
22 long been customer oriented and safety minded, with the experience to enable

1 Empire to transition into the natural gas distribution business in a manner  
2 seamless to customers.

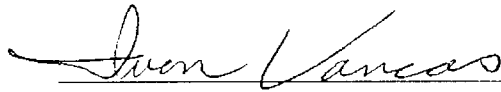
3 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

4 **A.** Yes.

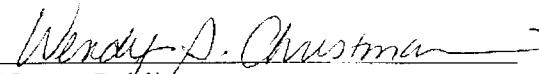
**AFFIDAVIT**

STATE OF IOWA                    )  
  )ss  
COUNTY OF POLK                )

I, Ivan Vancas, having been duly sworn upon my oath, state that I am the Operating Vice President for gas distribution properties in Missouri and Iowa; 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.

  
Ivan Vancas  
Operating Vice President

Subscribed and sworn to before me this 11<sup>th</sup> day of November, 2005.

  
Notary Public

My Commission expires:

NOV. 13, 2007

