

BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

In the Matter of the Joint Application of Aquila, Inc.,)
d/b/a Aquila Networks - WPK ("WPK") and)
Mid-Kansas Electric Company, LLC ("MKEC"), Joint)
Applicants, for an Order Approving the Transfer to)
MKEC of WPK's Certificates of Convenience and)
Franchises with Respect to All of WPK's Kansas)
Electric Business, Including its Generation,)
Transmission and Local Distribution Facilities Located)
in the State of Kansas, and for Other Related Relief)

Docket No. 06-MKEE-524-ACG

DIRECT TESTIMONY OF JON R. EMPSON

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

2 A. My name is Jon R. Empson, and my business address is 1815 Capitol Avenue, Omaha,
3 Nebraska.

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

5 A. I am employed by Aquila, Inc., and I currently hold the position of Senior Vice President,
6 Regulated Operations, for the Aquila Networks business unit.

7 **Q. WHAT ARE YOUR EDUCATIONAL QUALIFICATIONS AND BUSINESS**
8 **EXPERIENCE?**

9 A. I hold a BA in Economics from Carleton College in Northfield, Minnesota and an MBA from
10 the University of Nebraska at Omaha. I have been with the Company since 1986 holding
11 various officer positions both within the operating divisions and at Corporate. Prior to my
12 employment with the Company, I spent seven years (1979-1986) at Enron (formerly Northern
13 Natural Gas) as Manager of Public Affairs for Northern Natural Gas, Vice President of
14 Administration for Northern Liquid Fuels. From 1972-1979, I held various positions at the

1 Omaha Chamber of Commerce, including Manager of Research for the Omaha Economic
2 Development Council, Executive Director for Downtown Omaha, Inc., and Executive Director
3 of the Omaha Economic Development Council.

4 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

5 A. I am providing testimony in support of Aquila, Inc.'s (Aquila) request as contained in the Joint
6 Application filed in this docket. The purpose of my testimony is to discuss the effect that the
7 proposed sale of assets from Aquila to Mid-Kansas (MKEC) will have on the Aquila
8 employees impacted by the sale. In addition, I will discuss the effect that the proposed sale
9 of assets will have on Aquila's natural gas customers in Kansas.

10 **Q. ARE ANY AQUILA EMPLOYEES IMPACTED BY THIS TRANSACTION?**

11 A. Yes, as part of the Agreement, the 218 Aquila employees impacted by this transaction will be
12 offered jobs by MKEC at their same rate of pay and with substantially the same benefit plans.

13 **Q. PLEASE DESCRIBE THE NATURAL GAS ASSETS BEING RETAINED IN KANSAS
14 BY AQUILA.**

15 A. The assets being retained in Kansas by Aquila consist of a natural gas distribution system and
16 related investments with a net book value of approximately \$89,000,000, as of December
17 2004.

18 **Q. HOW WILL THE TRANSACTION AFFECT AQUILA'S KANSAS NATURAL GAS
19 CUSTOMERS?**

20 A. As Aquila has stated publicly on a number of occasions, the purpose of selling assets,
21 including its electric assets in Kansas, is to make Aquila a financially stronger company. Mr.
22 Nathoo has described how the proceeds from the sale of Aquila's electric assets in Kansas will
23 be used to reduce the overall debt of the corporation, a development that I believe would result

1 in a more appropriate capital structure for our regulated utility operations, and should be
2 viewed positively by the Commission. In terms of actual utility service, Aquila's 104,000
3 natural gas customers will continue to receive the same services they presently enjoy. The sale
4 of Aquila's Kansas electric assets will not degrade customer service for Aquila's remaining
5 natural gas customers, nor will it affect Aquila's capability to respond to emergencies. Aquila
6 will still be filing quarterly quality of service reports with the Commission so it and its Staff
7 will be able to closely monitor the quality of service being provided to Aquila's natural gas
8 customers after the MKEC acquisition has been completed. Aquila will continue to make the
9 investments in facilities and personnel that are necessary to maintain a safe and reliable
10 distribution system. As is the case today, Aquila will continue to periodically assess whether
11 it is necessary to file applications to adjust its rates to recover the costs of providing utility
12 service to its customers.

13 **Q. WHEN ARE THE PARTIES ANTICIPATING THE CLOSING OF THIS**
14 **TRANSACTION?**

15 A. The only agencies from which approvals are needed for this transaction are the Commission
16 and the Federal Regulatory Commission (FERC). We intend to work diligently with the
17 Commission Staff, CURB, and any interveners, to provide the answers to questions they may
18 have concerning this transaction. It is our hope to obtain all regulatory approvals and close
19 this transaction no later than May 2006.

20 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

21 A. Yes.

VERIFICATION

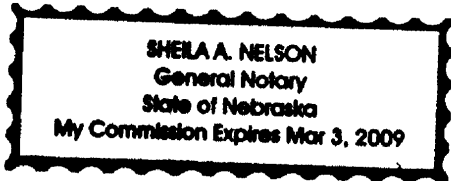
STATE OF Nebraska)
) ss:
 COUNTY OF Douglas)

Jon R. Empson, being first duly sworn, deposes and says that he is Jon R. Empson referred to in the foregoing document entitled "Direct Testimony of Jon R. Empson" before the State Corporation Commission of the State of Kansas and the statements therein were prepared by him or under his direction and are true and correct to the best of his information, knowledge and belief.

Jon R. Empson

 Jon R. Empson

SUBSCRIBED AND SWORN to before me this 11 day of November, 2005.



Sheila A. Nelson

 Notary Public

My Appointment Expires: