EXHIBIT
49

Exhibit No.:	
Issues:	Corporate Overheads Severance Costs
Witness:	James R. Dittmer
Sponsoring Party:	Office of the Public
Case No.:	ER-2004-0034

Before the Public Service Commission
Of the State of Missouri

Direct Testimony

of

James R. Dittmer

December 9, 2003

Exhibit No. 49
Case No(s). ER-2004-0034
Date 2/23/04 Rptr XF

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

In the Matter of Aquila, Inc. d/b/a Aquila Networks-MPS and Aquila Networks-L&P For authority to file tariffs increasing electric rates for the service provided to customers in the Aquila, Networks-MPS and Aquila Networks-L&P area	))))))	Case No. ER-2004-0034

AFFIDAVIT OF JAMES R. DITTMER

State of Missouri)
) SS
County of Jackson)

James R. Dittmer, of lawful age and being first duly sworn, deposes and states:

1) My name is James R. Dittmer. I am a Senior Regulatory Consultant working for the firm of Utilitech, Inc. This testimony I am presenting herein is offered on behalf of the Missouri Office of the Public Counsel
2) Attached hereto and made a part hereof for all purposes is my direct testimony consisting of pages 1 through 22.
3) I hereby swear and affirm that my statements contained in the attached testimony are true and correct to the best of my knowledge and belief.

James R. Dittmer

Subscribed and sworn to be this 5th day of December 2003

ROSEANNE M. MERTES
Notary Public - Notary Seal
STATE OF MISSOURI
Jackson County
My Commission Expires: Dec. 7, 2006

Roseanne M. Mertes

Notary Public

My commission expires 12-7-06

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DIRECT TESTIMONY
OF
JAMES R. DITTMER
AQUILA, INC.
d/b/a AQUILA NETWORKS – L&P and
AQUILA NETWORKS - MPS
CASE NO. ER-2004-0034

Q. PLEASE STATE YOUR NAME AND ADDRESS.

A. My name is James R. Dittmer. My business address is 740 Northwest Blue Parkway, Suite 204, Lee's Summit, Missouri 64086.

Q. BY WHOM ARE YOU EMPLOYED?

A. I am a Senior. Regulatory Consultant with the firm of Utilitech, Inc., a consulting firm engaged primarily in utility rate work. The firm's engagements include review of utility rate applications on behalf of various federal, state and municipal governmental agencies as well as industrial groups. In addition to utility intervention work, the firm has been engaged to perform special studies for use in utility contract negotiations.

Q. ON WHOSE BEHALF ARE YOU APPEARING?

A. Utilitech, Inc. has been retained by the Office of the Public Counsel for the State of Missouri (hereinafter "OPC") to review limited areas of Aquila, Inc.'s application to increase electric and steam heat rates to customers located within the service territory that has historically been referred to as Missouri Public Service ("MPS"), as well as the service territory that was acquired from St.

Joseph Light and Power during calendar year 2000 (hereinafter I will commonly refer to the St. Joseph Power and Light electric and steam heat service territory and operations as merely "SJLP"). Specifically, I was requested to review and investigate Aquila "corporate overhead" or "common allocable" costs included within the development of the MPS and SJLP service territories' electric retail jurisdictional revenue requirement determination. As a result of the investigation I have been able to perform to date, I am sponsoring this direct testimony on behalf of the Missouri Office of the Public Counsel.

Q. PLEASE BRIEFLY STATE WHAT ISSUES OR TOPICS YOU WILL BE ADDRESSING WITHIN YOUR DIRECT TESTIMONY?

A. Within this direct testimony I am sponsoring three adjustments to the historic test year operating results that I propose be included within the development of Aquila's retail electric and steam heat cost of service. Specifically, I am first proposing that all severance costs recorded during the historic test year be eliminated for cost of service determination purposes.

Second, a portion of executive managements' time has historically been devoted to Aquila's merger and acquisition activities. More recently, with Aquila's financial crisis brought about by its non-regulated energy trading business, Aquila's executive management has been devoting resources to divesting or selling numerous business properties. To its credit, the Company has voluntarily removed the cost of three high level corporate departments for which it does not seek recovery from retail ratepayers. However, I am proposing an adjustment to eliminate part of the costs of some *additional* departments which I believe logically must be devoting significant resources towards Aquila's effort to downsize its operations.

Third, Aquila's recent employee downsizing has left it with a significant amount of unused and unneeded space in its corporate headquarters office which it owns in downtown Kansas City, Missouri. Aquila's requirements for office space has historically been driven by its corporate personnel needs – which in turn has been driven by its growth in its non-regulated and non-utility business ventures. The collapse of Aquila's energy trading operations has resulted in a significant reduction in "corporate" employees. As noted, this recent downsizing of corporate employees has left Aquila with excess capacity in its headquarters office located at 20 West 9th Street in downtown Kansas City, Missouri. Accordingly, I am proposing an adjustment to remove from end-of-test year rate base that portion of the 20 West 9th Building not believed to be used and useful in the provision of utility service. Similarly, I am proposing to eliminate a portion of the test year recorded expenses associated with operating and maintaining the 20 West 9th Building.

QUALIFICATIONS

Q. BEFORE DISCUSSING IN GREATER DETAIL THE ISSUES YOU BRIEFLY DESCRIBED ABOVE, PLEASE STATE YOUR EDUCATIONAL BACKGROUND?

A. I graduated from the University of Missouri - Columbia, with a Bachelor of Science Degree in Business Administration, with an Accounting Major, in 1975. I hold a Certified Public Accountant Certificate in the State of Missouri. I am a member of the American Institute of Certified Public Accountants, and the Missouri Society of Certified Public Accountants.

Q. PLEASE SUMMARIZE YOUR PROFESSIONAL EXPERIENCE.

A. Subsequent to graduation from the University of Missouri, I accepted a position as auditor for the Missouri Public Service Commission. In 1978, I was promoted to Accounting Manager of the Kansas City Office of the Commission Staff. In that position, I was responsible for all utility audits performed in the western third of the State of Missouri. During my service with the Missouri Public Service Commission, I was involved in the audits of numerous electric, gas, water and sewer utility companies. Additionally, I was involved in numerous fuel adjustment clause audits, and played an active part in the formulation and implementation of accounting staff policies with regard to rate case audits and accounting issue presentations in Missouri. In 1979, I left the Missouri Public Service Commission to start my own consulting business. From 1979 through 1985 I practiced as an independent regulatory utility consultant. In 1985, Dittmer, Brosch and Associates was organized. Dittmer, Brosch and Associates, Inc. changed its name to Utilitech, Inc in 1992.

My professional experience since leaving the Missouri Public Service Commission has consisted primarily with issues associated with utility rate, contract and acquisition matters. For the past twenty-four years, I have appeared on behalf of clients in utility rate proceedings before various federal and state regulatory agencies. In representing those clients, I performed revenue requirement studies for electric, gas, water and sewer utilities and testified as an expert witness on a variety of rate matters. As a consultant, I have filed testimony on behalf of industrial consumers, consumer groups, the Missouri Office of the Public Counsel, the Missouri Public Service Commission Staff, the Indiana Utility Consumer Counselor, the Mississippi Public Service Commission Staff, the Arizona Corporation Commission Staff, the Arizona Residential Utility Consumer Office, the Nevada Office of the Consumer Advocate, the Washington Attorney General's Office, the Hawaii Consumer Advocate's Staff, the Oklahoma Attorney General's Office, the West Virginia Public Service Commission Consumer Advocate's Staff, municipalities and the Federal government before regulatory agencies in the states of Arizona, Alaska, Michigan, Missouri, Oklahoma, Ohio, Florida, Colorado, Hawaii, Kansas, Mississippi, New Mexico, Nevada, New York, West Virginia, Washington and Indiana, as well as the Federal Energy Regulatory Commission.

Q. HAVE YOU AND OTHER MEMBERS OF YOUR FIRM BEEN INVOLVED IN PREVIOUS MISSOURI PUBLIC SERVICE ELECTRIC RATE CASES?

A. I and/or other members of the firm have been involved in some capacity in every Missouri Public Service Company electric rate review for the past twenty-seven years. This list of cases would encompass participation in rate increase cases filed by Missouri Public Service as well as involvement in three earnings investigations/complaint cases wherein rate reductions were negotiated or ordered. Also, I would note and emphasize that the firm and I were retained as consultants to the OPC as well as to the Missouri Public Service Commission ("MPSC") Staff in several investigations since the early 1990s to specifically review "corporate overhead" and/or "corporate allocation" issue areas.

ELIMINATION OF TEST YEAR SEVERANCE COSTS

Q. PLEASE CONTINUE BY ELABORATING UPON YOUR PROPOSED ADJUSTMENT TO ELIMINATE "SEVERANCE COSTS" RECORDED DURING THE HISTORIC TEST YEAR.

A. As shown on attached Schedule JRD-1, I am proposing that all severance costs associated with employee downsizing occurring during the historic 2002 test year be eliminated from test year cost of service development. Such costs can generally be viewed as "non-recurring," and therefore, not representative of cost levels that will be experienced prospectively during the time that rates being established within this proceeding will be in effect.

Q. PLEASE DESCRIBE THE EMPLOYEE DOWNSIZING PROGRAM THAT OCCURRED DURING THE HISTORIC TEST YEAR, THAT IN TURN RESULTED IN THE RECOGNITION OF THE SEVERANCE COSTS THAT YOU ARE PROPOSING TO ELIMINATE.

A. During 2002 Aquila underwent a significant change. As testified to by Aquila witness Mr. Keith Stamm, Aquila undertook a "restructuring" plan wherein it "decentralized" some functions that had for several years been taking place on a centralized company-wide basis. Under the "decentralization" plan, certain functions and responsibilities that had been undertaken through a central corporate function were dispersed and assigned to various state operations.

Additionally, the Company went through a significant downsizing caused by its exit from the non-regulated energy trading business (i.e., Aquila Merchant Services), as well as the sale of several other domestic and international business ventures. Both of these events combined to cause a significant reduction in the number of total company employees as well as for utility-dedicated employees.

As employees were terminated they were given severance packages that were based upon a combination of their recent salary, age and years of service. Once the cost of the various, cumulative severance packages were known, Aquila immediately charged the one-time costs of the packages to expense.

Q. WHAT ADJUSTMENTS ARE YOU PROPOSING IN THIS REGARD?

A. For St. Joseph Light and Power electric and steam heat operations, severance costs of $646,723 and $12,509, respectively, were charged to expense. For Missouri Public Service electric operations, severance costs of $2,724,609 were charged to expense. As shown on attached Schedule JRD-1, I am proposing to eliminate *all* such noted severance costs amounts from test year operating expense for purposes of cost of service development.

Q. HAVE THE PAYROLL COSTS SAVINGS FROM THE DOWNSIZING OF WORKFORCE THAT HAS RESULTED IN THE SEVERANCE PACKAGES BEING OFFERED BEEN REFLECTED BY THE COMPANY WITHIN ITS ADJUSTED TEST YEAR COST OF SERVICE?

A. Yes. The Company is proposing to reflect actual number of employees utilizing actual wage rates in effect as of September 2003. The reduced workforce, and related savings, that resulted in the recording of test year severance expense is reflected within the Company's payroll annualization.

Q. IF RATEPAYERS ARE BENEFITING FROM THE WORKFORCE DOWNSIZING OCCURRING DURING THE HISTORIC TEST YEAR, IS IT APPROPRIATE AND EQUITABLE TO ELIMINATE *ALL* OF THE SEVERANCE COSTS RECORDED DURING THE HISTORIC TEST YEAR?

A. Yes. First and foremost, the majority of the downsizing occurred in mid-2002. The rates being established in this case will likely go into effect in early June 2004 – or approximately two years following the period when the majority of layoffs occurred. Accordingly, the Company, or more specifically, its shareholders, have retained, or will have retained, the savings from such layoffs for approximately a two year period by the time that rates from this proceeding go into effect. Therefore, the Company has recouped, or certainly will have recouped by the time new rates go into effect, through payroll expense savings the "upfront" severance costs recognized at about the time the layoffs were occurring during the historic 2002 test year.

Second, I submit that it is impossible to quantify how many of the layoffs occurred as a result of the "decentralization" reorganization discussed above versus the downsizing that has occurred for the Company's various Enterprise Support Function ("ESF") and Intra Business Units ("IBU") departments stemming from the Company's exit from its energy trading and other non-regulated businesses. Specifically, as this Commission is no doubt aware, Aquila has exited its unregulated energy trading business – which had been the Company's growth engine and significant business focus prior to 2002. Further, Aquila has recently sold a number of its unregulated domestic businesses as well as a number of its regulated and unregulated international operations.

Aquila's energy trading operations, as well as a number of its domestic businesses recently sold, had employees working directly and exclusively for each noted operation. However, a number of activities and functions have been undertaken for all the Aquila domestic businesses on a corporate-wide basis. More specifically, many of the Company's ESF departments and IBU departments have historically provided "common" or "overhead" functions to all domestic operations – including remaining regulated utility division, Aquila's now-terminated energy trading operations, as well as many of its other unregulated business operations that have been sold. Thus, prior to 2002, the ESF and IBU departments had been created and sized to service and facilitate the business operations of a much larger business entity. With the winding down of the energy trading operations – which previously had employed approximately 700 direct employees – and the sale of a number of other unregulated domestic business operations, it was necessary to downsize the ESF and IBU departments. Thus, I submit that a significant portion of the employee terminations undertaken during the historic test year in the ESF and IBU departments that provided "common" corporate services occurred as a result of the corporate-wide downsizing that was facilitated by Aquila's sale of, or exit from, whole or large portions of its businesses. In other words, I submit that many of the test year ESF and IBU employee terminations were really the result of "right sizing" activities that were occurring as Aquila downsized its total business operations rather than the "restructuring" that occurred as it "decentralized" corporate functions back to state-based operations.

As a result of the termination of hundreds of ESF and IBU department employees, the total pool of corporate overhead payroll has been significantly reduced. However, it should be noted and emphasized that remaining regulated utility divisions – such as MPS and SJLP – are now allocated a significantly larger portion of remaining, ongoing corporate overhead costs. Or in other words, the size of the corporate overhead "pie" of ESF and IBU departments has shrunk as a result of the noted terminations, but the number of "slices" of the pie has also significantly decreased. Thus, it is difficult to conclude whether the size of a "slice" of the remaining "pie" is larger or smaller than a "slice" might be if the total "pie" had remained larger but there were many more "slices" being cut from the "pie."

In summary on this latter point, I submit that it is not possible to identify terminations that occurred during 2002 related to state-decentralization-restructuring *versus* terminations that occurred as a result of the right-sizing of corporate office functions as it sold or exited from many business operations. However, I do not believe it would be appropriate or equitable to charge retail domestic utility ratepayers for severance costs related to right-sizing the ESF and IBU departments for the smaller Company. Rather, those costs should be viewed as simply additional costs related to selling or exiting a number of Aquila's business operations. Further, it is neither obvious nor certain that ratepayers have been, or will be, receiving a *net* benefit from terminations occurring as a result of the ESF and IBU department layoffs. For again, under the corporate overhead allocation processes in place, retail ratepayers are being assigned a much larger percentage of remaining, ongoing corporate overhead costs.

Q. IN A PREVIOUS ANSWER YOU STATED THAT SHAREHOLDERS WOULD HAVE RECOUPED UPFRONT SEVERANCE COST RECORDED DURING THE HISTORIC TEST YEAR IN THE FORM OF PAYROLL AND BENEFITS SAVINGS BY THE TIME THAT RATES BEING ESTABLISHED IN THIS PROCEEDING GO INTO EFFECT. HOW WERE THE SEVERANCE PACKAGES DETERMINED, AND FOR WHAT LENGTH OF TIME WERE TERMINATED EMPLOYEES ENTITLED TO DRAW A SALARY AND RECEIVE BENEFITS?

A. The amount of severance pay was based upon each employee's base salary in effect at the time of the termination, or in other words, the terminated employee would continue drawing his or her base salary for a period of time following termination. The length of time that the severance pay was offered was based upon the number of years the employee had been with the Company, his or her age, as well as his or her salary. Specifically, each employee was entitled to one week of pay for each year of service with the Company, one week of pay for each year the person's age exceeded 40, and one week of pay for each $10,000 of base annual pay at the time of termination. Thus, a 50-year-old employee who had been working for the Company for 25 years and who was making $70,000 would be entitled to 42 weeks of severance pay calculated as follows:

25 years of service	yields	25 weeks pay
10 years of age over 40	yields	10 weeks pay
$70,000 salary	yields	7 weeks pay
Total period of base wages plus benefits:		42 weeks pay

I have not observed any estimate of the "average" period of time that all terminated employees continued to receive their base salary plus benefits. However, I believe the average severance pay period would be less than one year, and without a doubt considerably less than the approximate two-year period between the time the severance costs were largely recognized in mid-2002 and the time that new rates from this proceeding will go into effect in mid-2004.

Q. WHY DO YOU BELIEVE THE SEVERANCE COST PAYBACK PERIOD WOULD BE LESS THAN ONE YEAR?

A. Clearly there would be examples of employees who would be able to draw salary and benefits for over a one-year period. For example, a sixty year old who had been with the Company for 35 years and who was making $100,000 a year would be entitled to 65 weeks of pay and benefits. Further, I would note that the severance pay formula described above was applicable to "non-executive" positions. So it is possible that some executive positions may have gotten a severance package that was more generous than the standard non-executive package described. However, that stated, I am confident there are many more examples of employees receiving *less than* a year's worth of salary and benefit than there are of employees receiving *more than* a year's worth of salary and benefits. Thus, in summary on this point, I submit that the "payback" in payroll and benefits costs was less than one year on the severance costs incurred and recorded during the historic test year.

<u>ASSIGNMENT OF CORPORATE OVERHEAD COSTS TO DIVESTITURE ACTIVITIES</u>

Q. **IF THAT CONCLUDES YOUR DISCUSSION ON YOUR PROPOSED ADJUSTMENT TO ELIMINATE TEST YEAR SEVERANCE EXPENSE, PLEASE CONTINUE BY DESCRIBING YOUR NEXT PROPOSED ADJUSTMENT TO TEST YEAR OPERATING EXPENSES.**

A. I am proposing that half of the cost of a limited number of ESF departments – beyond those already identified and removed voluntarily by the Company – be eliminated from the development of Missouri retail jurisdictional cost of service. Specifically, I am proposing that one-half of the Company-adjusted level of the following ESF departments' cost be eliminated from test year cost of service development:

ESF Department Number	ESF Department Description
4031	General Counsel
4040	Chairman & Chief Executive Officer
4043	Board of Directors Management
4120	External Communications
4130	Treasury
4131	Records Management
4132	Shareholder Relations
4183	Corporate Financial Reporting

During the historic test year and for some time into the future, Aquila's upper management will be devoting significant resources to further divesting efforts, the winding down of discontinued operations (i.e., energy trading), as well as simply working with creditors to avoid bankruptcy. The current financial crisis has not been caused by Aquila's utility operations. Thus, Aquila's regulated utility customers should not be required to pay for the extraneous costs being incurred as a result of Aquila's efforts in exiting many of its non-regulated business ventures. Accordingly, I am proposing that one-half of the above-listed ESF departments' costs be eliminated from the revenue requirement development in this case.

Q. IN YOUR PREVIOUS ANSWER YOU STATED "I AM PROPOSING THAT HALF OF THE COST OF A LIMITED NUMBER OF ESF DEPARTMENTS – *BEYOND THOSE ALREADY IDENTIFIED AND ELIMINATED VOLUNTARILY BY THE COMPANY* – BE ELIMINATED

FROM THE DEVELOPMENT OF MISSOURI RETAIL JURISDICTIONAL COST OF SERVICE." WHAT ESF DEPARTMENT COSTS HAS AQUILA ALREADY REMOVED FROM TEST YEAR OPERATING EXPENSE?

A. To its credit, as discussed by Aquila witness Ms. Beverlee Agut, the Company has removed costs allocated to MPS and SJLP during the test year from the ESF departments entitled Capital Structure and Analysis – Domestic, Strategic Planning and Analysis, Chief Executive Officer, Chief Financial Officer and UED Headquarters President. Two of the departments – Chief Executive Officer and UED Headquarters President – were removed because the positions were eliminated during or following the test year. However, the other three departments were removed because the Company acknowledged their significant involvement in selling off business units and/or maintaining the solvency of the Company. While the Company may be commended for voluntarily removing the cost of certain ESFs deemed to be exclusively or most significantly involved in the divestiture process, I simply do not believe it has captured the time and expense of other senior management that must necessarily be devoting great resources to further divestiture and/or attempting to maintain the solvency of the Company. Accordingly, the adjustment I discuss above for additional ESF departments is also appropriate.

Q. **WHAT ARE THE STATED FUNCTIONS OF THE NOTED ESFS WHICH YOU PROPOSED TO ADJUST?**

A. As set forth with the Company's Cost Allocation Manual, the noted ESF departments undertake the following functions.

Dep't. No.	Department Title	Description of Work Process
4031	General Counsel	Overall responsibility for all matters of a legal nature including mergers, acquisitions, joint ventures and divestitures
4040	Executive	Makes Executive decisions for the corporation. Performs services for all divisions as well as overseas operations
4043	Board of Directors Management	Oversees the coordination of issues surrounding the board of directors
4120	External Communications	Department performs communication work for and reviews the communication's work of all operations of the company, including international operations. Responsibilities include media relations, corporate advertising, publications, graphics, corporate identity, presentations, annual meeting, and internal communications.
4130	Treasury	Responsible for permanent financings of the corporation (stock issues, debt issues). Manage cash and all borrowings. Handle the administration of the defined benefit plan and 401Kplan. Maintains a relationship with debt rating agencies. Handle specifically all the financing for any involvement in our overseas operations such as financing for acquisitions, etc. Does not handle any of the 401K activities for our international subsidiaries nor West Kootenay.
4131	Records Management	Three main areas: 1) Responsible for Board meeting and committee minutes and arrangements for Board members. All board member transportation costs including lodging and expenses are booked to this RC. 2) Responsible for corporate records of the company. Record keeper for 120 subsidiaries – makes sure all subsidiaries are in good standing in all states. 3) Corporate record retention. Coordinate all legal activities through Blackwell Sanders

4132	Shareholder Relations	Communication relationship with analysts on the street that follow UCU. Watch who buys and sells UCU stock. Record keeping for stockholders. Responsible for all dealings with the annual meeting. Deal with the individual smaller shareholders and respond to any issues they may have.
4183	Corporate Financial Reporting	Perform external reporting for consolidated Aquila, Inc. Also includes external audit fees.

Q. HOW DID YOU DETERMINE THAT ONE-HALF OF THE ABOVE-LISTED ESF DEPARTMENT COSTS SHOULD BE ELIMINATED FROM COST OF SERVICE DEVELOPMENT?

A. From the description of activities and functions of the noted ESF departments, I believe it is intuitively obvious that these departments will remain staffed, and devote significant efforts, to support the continuing exit from, and divestiture of, non-regulated business operations. I do not believe it is possible to precisely determine the efforts that each of the noted departments has been, and will be, devoting to such efforts. Therefore, I have simply used professional judgment when employing the assumption that 50% of such costs should be assigned to non-regulated divestiture activities

Q. DON'T ESF DEPARTMENT PERSONNEL DIRECTLY ASSIGN THEIR TIME TO DIVESTITURE ACTIVITIES WHEN WORKING ON SUCH SPECIFIC TASKS?

A. Yes. According to the Company's response to OPC-832, the time and efforts devoted to the sale of *specific* properties is supposed to be assigned to such *activity.* However, the internal payroll and benefits cost associated with employees' time assigned to a specific-sale-of-property activity would typically be allocated to various business units unless the Company issued a specific directive to "retain" such costs at the corporate level or direct assigned such costs to the business unit being sold.

It is important to note that during the 2002 historic test year the vast majority of each noted ESF departments' cost was not direct-assigned to any business unit. Specifically, as evidenced by the table below, the majority of these ESF departments' costs were simply allocated to business units and divisions within business units utilizing general Massachusetts-formula allocation methods:

Dep't No.	Department Description	Total 2002 Dep't Costs	Allocable 2002 Dep't Costs	Allocable Costs as % of Total Dep't
4031	General Counsel	4,802,187.25	1,597,271.17	33.26%
4040	Executive	3,027,231.50	2,737,910.34	90.44%
4043	Board of Directors Management	911,775.56	911,775.56	100.00%
4120	External Communications	2,452,339.17	2,450,922.52	99.94%
4130	Finance	6,284,054.60	5,576,814.80	88.75%
4131	Corporate Secretary	360,658.82	253,393.06	70.26%
4132	Shareholder Relations	1,829,610.57	1,817,002.91	99.31%
4183	Corporate Financial Reporting	5,085,120.33	5,032,448.48	98.96%
	Total All Departments	24,752,977.80	20,377,538.84	82.32%

Q. PLEASE SUMMARIZE YOUR TESTIMONY ON THIS ISSUE.

A. Aquila has voluntarily recognized that three ESF departments will be significantly involved in the selling and winding down of a number of business operations, and accordingly, has eliminated costs from such ESF departments that were allocated to MPS during the historic test year. While this Company adjustment is a step in the right direction, I believe it does not go far enough. Accordingly, I am proposing that one-half of the costs of eight additional ESF departments that remain included within the Company's proposed MPS and SJLP cost of service also be eliminated from test year operating expense. By the Company's own admission in testimony, resources will continue to be devoted to selling properties and remaining solvent. Captive regulated utility ratepayers should not be required to bear the cost of such activities. Accordingly, the adjustment discussed above, which is *incremental to* the Company's proposed adjustment to eliminate three ESF departments' costs, should be adopted as presented on attached Schedule JRD-2

20 West 9th Building Costs

Q. PLEASE CONTINUE BY DESCRIBING YOUR NEXT ADJUSTMENT.

A. As shown on attached Schedule JRD-3 and Schedule JRD-4, I am proposing to eliminate a portion of the cost of Aquila's corporate headquarters building located at 20 West 9th Street in downtown Kansas City, Missouri. The discontinuation of Aquila's energy trading operations in conjunction with the sale of many of its unregulated and international business operations has left the

Company with significant unused and unneeded excess office space at its corporate headquarters. Accordingly, I am proposing to eliminate the cost of "unused" or "excess" office capacity that was allocated to MPS and SJLP electric operations during the historic test year.

As shown on attached Schedule JRD-3, I am proposing to eliminate approximately 35% of the 20 West 9th Building operating costs that were allocated to MPS and SJLP electric operations during the test year. Further, as shown on attached Schedule JRD-4, I am similarly proposing to eliminate approximately 35% of the 20 West 9th Building net plant costs that were allocated to, and included within, MPS' and SJLP's electric operations rate base.

Q. HOW DID YOU ARRIVE AT THE "UNUSED" OR "EXCESS" CAPACITY PERCENTAGE OF APPROXIMATELY 35%?

A. Following a walking tour of the headquarters facility in which I observed significant areas of space that were not being utilized, I asked the Company in a data request for the "planned" employee capacity of the 20 West 9th Building as well as the current employee occupancy. In response to OPC Data Request No. OPC-865 the Company indicated that the building had been designed to accommodate 847 cubicles (i.e., employee spaces), but that as of October 17, 2003 only 544 employees were working in the building. In other words, in mid-October 2003 there were 303 unused workstations. I therefore calculated that

35.77% of the Company's corporate headquarters was unused (303 unused workstations divided by 847 total work stations equals 35.77%).

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes, it does.

Adjustment to Eliminate MPS Electric Jurisdictional Severance Costs Recorded During the Historic Test Year

Line No.	FERC Account	Total MPS Electric Expense Per Books	Jurisdictional Allocation Factors	Adjustment to Eliminate MPS Electric Severamce Costs
1	506000	231,284	98.9619%	228,883
2	557000	59,274	99.4621%	58,955
3	566000	101,522	98.9619%	100,468
4	588000	550,854	99.8333%	549,936
5	880000	-	0.0000%	-
6	920000	1,031,482	99.4513%	1,025,823
7	921000	15,483	99.4513%	15,398
8	923000	87,948	99.4513%	87,465
9	926000	178,485	99.4513%	177,506
10	Subtotal	$ 2,256,332		$ 2,244,434
11	408100	149,716	99.4513%	148,895
12	926000	333,108	99.4513%	331,280
13		$ 482,824		$ 480,175
14	**Total MPS Electric Jurisdictional Adjustment**			**$ (2,724,609)**
15	Source:	Company CS-10 Workpapers		

Adjustment to Eliminate SJLP Electric Jurisdictional Severance Costs Recorded During the Historic Test Year

Line No.	FERC Account	Total SJLP Electric Expense Per Books	Jurisdictional Allocation Factors	Adjustment to Eliminate SJLP Electric Severance Costs
1	557000	21,422	100.0000%	21,422
2	566000	22,105	100.0000%	22,105
3	588000	160,277	100.0000%	160,277
4	920000	249,976	100.0000%	249,976
5	921000	5,285	100.0000%	5,285
6	923000	26,360	100.0000%	26,360
7	926000	52,702	100.0000%	52,702
8	Subtotal	$ 538,127		$ 538,127
9	408100	30,889	100.0000%	30,889
10	926000	77,707	100.0000%	77,707
11		$ 108,596		$ 108,596
12	**Total SJLP Electric Jurisdictional Adjustment**			**$ (646,723)**
13	Source:	Company CS-10 Workpapers		

Adjustment to Eliminate SJLP Steam Jurisdictional Severance Costs Recorded During the Historic Test Year

Line No.	FERC Account	Total SJLP Steam Expense Per Books	Jurisdictional Allocation Factors	Adjustment to Eliminate SJLP Steam Severance Costs
1	557000	-	100.0000%	
2	566000	-	100.0000%	
3	588000	-	100.0000%	-
4	920000	6,752	100.0000%	6,752
5	921000	127	100.0000%	127
6	923000	796	100.0000%	796
7	926000	1,429	100.0000%	1,429
8	Subtotal	$ 9,104		$ 9,104
9	408100	1,298	100.0000%	1,298
10	926000	2,107	100.0000%	2,107
11	Subtotal	$ 3,405		$ 3,405
12	**Total SJLP Steam Jurisdictional Adjustment**			**$ (12,509)**
13	Source:	Company CS-10 Workpapers		

Adjustment to Assign a Portion of Test Year ESF Costs Allocated to MPS Electric Operation to Divestiture Activities

Line No.	ESF Department No.	ESF Department Description			Dep't Costs Allocated to MPS
1	4031	General Counsel			$ 371,214
2	4040	Executive			611,935
3	4043	Board of Directors Management			200,783
4	4120	External Communications			521,937
5	4130	Finance			1,213,962
6	4131	Corporate Secretary			56,592
7	4132	Shareholder Relations			375,240
8	4183	Corporate Financial Reporting			1,080,822
9	Total				$ 4,432,484
10	Adjustment to Eliminate one-half of Noted				
11	ESF Department Costs Allocated to Total MPS				
12	(Line 9 times 50%)				$ 2,216,242
13	Percent to Electric Based Upon Payroll				
14	Annualization Split				
15		Electric	$ 249,529	87.23%	87.23%
16		Gas	36,536	12.77%	
17		Total	$ 286,065	100.00%	
18	Adjustment to Total MPS Electric Operations:				$ (1,933,185)
19	Jurisdictional Allocation Percentage				99.45133%
20	MPS Retail Electric Adjustment to Remove One-half				
21	of Noted ESF Departments' Costs (1)				$ (1,922,579)

22 (1) To the extent that the Company has reduced any of
23 the above-listed ESF department costs in other
24 Company adjustments, those amounts should be
25 eliminated from this adjustment amount for
26 reconciliation purposes

Adjustment to Assign a Portion of Test Year ESF Costs Allocated to SJLP Electric Operation to Divestiture Activities

Line No.	ESF Department No.	ESF Department Description			Dep't Costs Allocated to SJLP
1	4031	General Counsel			$ -
2	4040	Executive			111,967
3	4043	Board of Directors Management			183,281
4	4120	External Communications			59,981
5	4130	Finance			154,939
6	4131	Corporate Secretary			365,615
7	4132	Shareholder Relations			17,090
8	4183	Corporate Financial Reporting			110,722
9	Total				$ 1,003,595
10	Adjustment to Eliminate one-half of Noted				
11	ESF Department Costs Allocated to Total SJLP				
12	(Line 9 times 50%)				$ 501,798
13	Percent to Electric Based Upon Payroll				
14	Annualization Split				
15		Electric	$ 358,118	93.98%	93.98%
16		Gas	20,939	5.50%	
		Steam	1,983	0.52%	
17		Total	$ 381,040	100.00%	
18	Adjustment to Total SJLP Electric Operations:				$ (471,611)

19 (1) To the extent that the Company has reduced any of
20 the above-listed ESF department costs in other
21 Company adjustments, those amounts should be
22 eliminated from this adjustment amount for
23 reconciliation purposes

Adjustment to Assign a Portion of Test Year ESF Costs Allocated to SJLP Steam Operations to Divestiture Activities

Line No.	ESF Department No.	Description			Dep't Costs Allocated to SJLP
1	4031	General Counsel			$ 111,967
2	4040	Executive			183,281
3	4043	Board of Directors Management			59,981
4	4120	External Communications			154,939
5	4130	Finance			365,615
6	4131	Corporate Secretary			17,090
7	4132	Shareholder Relations			110,722
8	4183	Corporate Financial Reporting			321,389
9	Total				$ 1,324,985
10	Adjustment to Eliminate one-half of Noted				
11	ESF Department Costs Allocated to Total SJLP				
12	(Line 9 times 50%)				$ 662,492
13	Percent to Electric Based Upon Payroll				
14	Annualization Split				
15		Electric	$ 358,118	93.98%	
16		Gas	20,939	5.50%	
		Steam	1,983	0.52%	0.52%
17		Total	$ 381,040	100.00%	
18	Adjustment to Total SJLP Steam Operations:				$ (3,448)

19 (1) To the extent that the Company has reduced any of
20 the above-listed ESF department costs in other
21 Company adjustments, those amounts should be
22 eliminated from this adjustment amount for
23 reconciliation purposes

Adjustment to Eliminate Cost of Excess Capacity at Aquila's Downtown Office Building Located at 20 West 9th

Line	Total	Percent to		Total $ Amounts to:		FERC Account -- MPS		FERC Account -- SJLP	
No.	Company	MPS	SJLP	MPS	SJLP	921	935	921	935
1	**Test Year Actual Distribution** (Source: OPC-867)								
2	1,300,807	19.12%	6.30%	248,751	81,979	155,725	93,026	51,306	30,673
3	**Distribution to MPS and SJLP Utilizing August 2003 ESF Allocation Factors as Reflected in "Updated" Case**								
4	1,300,807	20.30%	6.80%	264,064	88,455	165,311	98,753	55,359	33,096
5	**Adjustment to Test Year Actual Operating Expense to Eliminate**								
6	**Excess Capacity of 20 West 9th Building Allocated to MPS &**								
7	**SJLP Electric Operations:**								
8	Work Stations In Use at 20 West 9th Building (OPC-865)				544				
9	Work Station Capability at 20 West 9th Building (OPC-865)				847				
10	Excess Capacity Percentage				35.77%	35.77%	35.77%	35.77%	35.77%
11	**Adjustment if Posted to Test Year *Actual* Operating Results**								
12	Total MPS/SLP Adjustment (Line No. 2 times Line No. 10)					(55,708)	(33,278)	(18,354)	(10,973)
13	Percent to MPS/SJLP Electric Operations (OPC-867)					86.874%	92.808%	92.058%	88.029%
14	Total MPS/SJLP Electric Operations Adjustment (Line 12 times Line 13)					(48,396)	(30,885)	(16,896)	(9,659)
15	Retail Jurisdictional Allocation Percentages					99.45133%	99.45133%	100.00%	100.00%
16	Adjustment to MPS/SJLP Test Year Actual Electric Retail Operations								
17	(Line No. 14 times Line No. 15)					$ (48,130)	$ (30,716)	$ (16,896)	$ (9,659)
18	**Adjustment if Posted to Aquila's Updated/Adjusted Operating Results**								
19	(Line No. 4 times Line No.10)					(59,137)	(35,327)	(19,804)	(11,840)
20	Percent to MPS/SJLP Electric Operations (OPC-867)					86.874%	92.808%	92.058%	88.029%
21	Total MPS/SJLP Electric Operations Adjustment (Line 19 times Line 20)					(51,375)	(32,786)	(18,231)	(10,422)
22	Retail Jurisdictional Allocation Percentages					99.45133%	99.45133%	100.00%	100.00%
23	Adjustment to MPS/SJLP Test Year Actual Electric Retail Operations								
24	Line No. 21 time Line No. 22)					$ (51,093)	$ (32,606)	$ (18,231)	$ (10,422)

Adjustment to Eliminate Cost of Excess Office Space Allocated to MPS and SJLP Electric Rate Base

	Total Company at 12/31/02	MPS Operations Electric	MPS Operations Gas	SJLP Operations Electric	SJLP Operations Gas
Gross Plant	$ 60,965,447	$ 13,611,890	$ 1,263,680	$ 4,711,950	$ 73,978
Accum. Depre.	5,231,176	1,167,976	108,431	404,312	6,348
Net Plant	$ 55,734,272	$ 12,443,913	$ 1,155,249	$ 4,307,638	$ 67,630
Excess Capacity Percentage (1)	35.77%	35.77%	35.77%	35.77%	35.77%
Adjustment to Eliminate Total Divisional Excess Office Capacity in Downtown Kansas City					
Gross Plant	$ (21,809,363)	$ (4,869,424)	$ (452,060)	$ (1,685,621)	$ (26,464)
Accum. Depre.	(1,871,365)	(417,824)	(38,789)	(144,636)	(2,271)
Net Plant	$ (19,937,998)	$ (4,451,601)	$ (413,271)	$ (1,540,985)	$ (24,193)
Jurisdictional Factors		99.45133%	100.00%	100.00%	100.00%
Adjustment to Eliminate Jurisdictional Divisional Excess Office Capacity in Downtown Kansas City					
Gross Plant		$ (4,842,707)	$ (452,060)	$ (1,685,621)	$ (26,464)
Accum. Depre.		$ (415,531)	$ (38,789)	$ (144,636)	$ (2,271)
Net Plant		$ (4,427,176)	$ (413,271)	$ (1,540,985)	$ (24,193)

Note (1)

Work Stations In Use at 20 West 9th Building (OPC-865)	544
Work Station Capability at 20 West 9th Building (OPC-865)	847
Excess Capacity Percentage	35.77%