

FILED WITH  
Executive Secretary

JUL 18 2003

IOWA UTILITIES BOARD

**AQUILA, INC.**

**SUPPLEMENTAL TESTIMONY**

**of**

**RICK DOBSON**

**PUBLIC VERSION**

*In re Aquila, Inc.*  
**Docket No. SPU-03-7**

**July 18, 2003**

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Schedule TJR-23.1

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1                   b. What the implications (if any) of Fitch's perspective, especially  
2                   as it might impact Aquila's restructuring plans?

3    A.   Aquila does not have the details and assumptions utilized by Fitch in its  
4           analysis. Each of the rating agencies view and calculate "off balance sheet"  
5           obligations differently and generally do not share the details of those  
6           calculations. As such, we cannot opine on the reasonableness of their  
7           analysis and conclusions that can be drawn from their analysis.  
8           We have not seen the details supporting Fitch's enterprise valuations but  
9           those valuations are often quite complex. Fitch's valuations imply that  
10          Aquila's common stock has no value, and that is contradictory to the  
11          positive value the market has placed on our shares of common stock.  
12          Presumably, any implications of Fitch's analysis have already been reflected  
13          in their assessment of Aquila's credit quality.

14   Q.   Would or should any pledging of the utility assets in Iowa for security on a  
15          subsequent loan require another application before the Board? Also, please  
16          explain if any approval of pledging utility assets should be restricted to just  
17          the current loan.

18          These responses are requested in the Board's request number 43.

19   A.   Aquila requested authority from the Board to extend or rollover the existing  
20          term loan partially secured by Iowa assets in order to maintain continuity in  
21          its financial liquidity, avoid creating another "financial deadline" where the  
22          lenders have a negotiating advantage, and provide a longer term outlook for  
23          financial stability for our employees, suppliers, customers, and

1       shareholders. The creation of a longer-term horizon of financing certainty  
2       enables our employees to see that their careers with Aquila are viable and  
3       enhances our ability to retain the dedicated employees that are currently  
4       supporting the utility operations. If this Board and other Commissions deny  
5       this application to secure debt, more uncertainty will be created in the  
6       marketplace. By granting this application, Aquila will be placed in a stronger,  
7       long term financial position and can focus on the effective execution of its  
8       restructuring plan rather than having to be distracted by the complexities  
9       and uncertainties involved in starting the entire debt securitization process  
10      all over again.

11    Q.   Does this complete your testimony?

12    A.   Yes it does.

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