SURREBUTTAL 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.

Q. HAVE YOU PREVIOUSLY FILED TESTIMONY IN THIS PROCEEDING?

A. Yes. On December 9, 2003 I filed direct testimony in this case on behalf of the Office of the Public Counsel for the State of Missouri (hereinafter "OPC"). On January 26, 2004 I filed rebuttal testimony in this case – also on behalf of the OPC.

Q. ON WHOSE BEHALF ARE YOU PRESENTING SURREBUTTAL TESTIMONY IN THIS CASE?

A. Like my direct and rebuttal testimonies, this testimony is being presented on behalf of the OPC.

OVERVIEW OF SURREBUTTAL TESTIMONY

Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?

A. Within my direct testimony filed in this case I presented arguments supporting adjustments to 1) assign 50% of the cost of certain high level Enterprise Support Function ("ESF") departments to what I believe to be continuing corporate downsizing efforts and 2) to disallow as "excess" or "unneeded" headquarters office space caused primarily by Aquila's exiting from its energy trading operations as well as its sale or disposal of other unregulated operations. Mr. Jon Empson, appearing on behalf of the Company, offers arguments in rebuttal testimony in opposition to my two noted adjustments. The purpose of this surrebuttal testimony is to respond to Mr. Empson's rebuttal arguments.

Q. BY WAY OF BACKGROUND, PLEASE BRIEFLY EXPAND UPON THE ADJUSTMENTS AND ARGUMENTS YOU PRESENTED WITHIN YOUR DIRECT TESTIMONY.

A. Very briefly, within my direct testimony I proposed to eliminate approximately 35% of the cost of the Company's downtown Kansas City, Missouri headquarters building costs being allocated to the MPS and SJLP divisions. The basis of the disallowance was simply that a good portion of the noted office building sits empty and unused as a result of the Company's exit from the energy trading business, as well as the Company's sale or divestiture of many other unregulated subsidiaries or operations.

Additionally, I proposed that one-half of the cost of eight high level ESF departments be eliminated from the development of MPS' and SJLP's jurisdictional cost of service. It was my position in my direct testimony – and continues to be my position – that some significant level of senior management's efforts will continue to be devoted to the Company's ongoing task of divesting itself of various unregulated and international operations. Accordingly, I have employed judgment in concluding that one-half of certain high level ESF departments' cost should be assigned or allocated to this "winding down" phase of Aquila's non-regulated and international operations.

CORPORATE OVERHEAD COSTS

Q. PLEASE SUMMARIZE MR. EMPSON'S REBUTTAL TO YOUR ADJUSTMENT TO ASSIGN A PORTION OF CERTAIN HIGH LEVEL ESF DEPARTMENT COSTS TO THE "WINDING DOWN" OF UNREGULATED BUSINESS OPERATIONS.

A. Mr. Empson's rebuttal testimony included the following major points:

- My adjustment to eliminate a portion of the costs of certain high level ESF departments is arbitrary and "subjective in nature, lacking no hard concrete support."

- Senior management's time has been and continues to be focused on the day-to-day operations of the utility business.
- The asset sales and business restructuring activities have been substantially completed and the Company has already voluntarily removed all the cost of six departments as well as miscellaneous downsizing expenditures from other departments.
- Stated in terms of nominal dollars, the Missouri jurisdictional amounts for certain executive functions that I have "allowed" for inclusion in cost of service development is simply unreasonable for the size of regulated operations providing service within Missouri.

Q. HOW DO YOU RESPOND TO MR. EMPSON'S REBUTTAL POINTS REGARDING YOUR PROPOSED ASSIGNMENT OF CERTAIN HIGH LEVEL ESF DEPARTMENT COSTS TO WINDING DOWN THE COMPANY'S VARIOUS NON-REGULATED AND INTERNATIONAL BUSINESS ACTIVITIES?

A. Taking the arguments one at a time in the order summarized above, I would disagree with Mr. Empson's characterization of my adjustment as "arbitrary." I would admit that I was forced to use "judgment" in formulating my adjustment. However, the fact that one is forced to employ "judgment" in the process of formulating a position does not necessarily make the position "arbitrary."

Mr. Empson has claimed that I have no "hard concrete evidence support" for my proposed adjustment. I would concede that I cannot demonstrate with "hard concrete evidence" such as employee time sheets that the noted department personnel have been, and likely will continue for a while, working on winding down a number of non-utility and international business operations. However, that lack of documentation is through no fault of myself, the OPC or the Missouri Public Service Commission Staff. Specifically, it has been recommended in previous Aquila rate cases that the Company be required to employ positive time sheet reporting that would enable rate auditors to view what certain department personnel actually spend their time on.

Q. WHAT DO YOU MEAN WHEN YOU SAY "POSITIVE TIME SHEET REPORTING"?

A. By "positive time sheet reporting" I am referring to a reporting system wherein at least select departments would be required to actually "positively" account for what activities are undertaken throughout the work week. Specifically, one would envision being able to review narrative descriptions of individual tasks undertaken by upper management on at least a daily basis. With such data one could calculate and document with "hard concrete evidence" exactly what a select few ESF department heads are working on.

Q. HAS THE COMPANY ACTIVELY OPPOSED "POSITIVE TIME SHEET REPORTING"?

A. Yes, the Company has steadfastly opposed such reporting practice. When I first recommended in Case No. ER-97-394 in 1997 that positive time sheet reporting be implemented, the Company offered three rebuttal witnesses to oppose such requirement. I stated in 1997, and I would reiterate herein, if the Company would ever be willing to implement positive time sheet reporting it would, if its characterizations of how upper management spends the majority of its time on day-to-day utility operations is accurate, be able to once and for all demonstrate just how truly wrong and "arbitrary" I have been. In summary on this point, the very "hard concrete evidence" that Mr. Empson would have me produce is simply not available – but that is only because the Company has never adopted positive time sheet reporting.

Q. IF THERE IS NO INFORMATION TO INDICATE EXACTLY WHAT PERSONNEL WITHIN THE DISPUTED ESF DEPARTMENTS SPENT THEIR "ALLOCABLE" TIME ON DURING THE TEST YEAR, WHAT DO YOU RELY UPON TO CONCLUDE THAT AT LEAST A FEW HIGH LEVEL ESF DEPARTMENTS SPENT A SIGNIFICANT PORTION OF THEIR TIME AND RESOURCES ON FACILITATING THE EXIT OF A NUMBER OF NON-REGULATED AND INTERNATIONAL BUSINESS OPERATIONS?

A. There is ample evidence to support a conclusion that a select few, high-level ESF departments have been, and likely into the future will continue to, support divestiture activities. Specifically, one need look no further than the Company's quarterly and annual reports to the Securities and Exchange Commission to observe the significant verbiage and inevitable resources that simply must be devoted to the downsizing of the Aquila organization. I have affixed as Attachment No. 1 the SEC Form 10-Q for the latest reporting period available (i.e., third quarter of 2003). Therein the Commission can observe page after page after page of tables and narratives devoted to "disposals," "terminations," "exits" and "sales" of assets and properties. Further, I have reviewed the Company's minutes of its Board of Directors meetings for all of 2002 as well as all of 2003 that were available through the third quarter of calendar year 2003. Executive management's attention to its financings/refinancings, sales and divestitures activities is even more pronounced in confidential Board of Directors meeting minutes.

The question that the rate analysts, and ultimately this Commission, must wrestle with is whether all financings and refinancings related to the Company's non-regulated operations' problems, as well as the "disposals," "terminations," "exits" and "sales" of assets and properties noted within public SEC filing, and more prominently within the Board of Directors meeting minutes, is being undertaken without senior management's significant attention and input. Mr. Empson would have this Commission believe that senior management is fairly "focused on the day-to-day operations of the utility business" while it delegates away the problem of corporate survival – which entails significant refinancings and the sale or exiting of multi-hundred million dollars of operations. I do not accept that these significant events and transactions are occurring without significant senior management input – and it is for that reason that I have employed some professional judgment in assigning a portion of senior management's costs to such activities.

Q. HOW DO YOU RESPOND TO MR. EMPSON'S ASSERTION THAT THE ASSET SALES AND RESTRUCTURING ACTIVITIES HAVE BEEN SUBSTANTIALLY COMPLETED AND THAT THE COMPANY HAS ALREADY VOLUNTARILY ELIMINATED THE COST OF SIX DEPARTMENTS AS WELL AS MISCELLANEOUS DOWNSIZING EXPENDITURES FROM OTHER DEPARTMENTS.

A. A quick read of the SEC 10-Q attached will quickly reveal that much work remains to be undertaken to complete needed sales and refinancings. Further, Ms. Beverlee Agut states in her direct testimony:

> In 2002, the Chief Financial Officers, Messrs. Dan Streek and Rick Dobson, extensively focused on maintaining the solvency of Aquila. It is anticipated this focus will continue for ***at least a couple of years.*** (Ms. Beverlee Agut's direct testimony, page 8, ***emphasis added***).

Thus, contrary to Mr. Empson's characterization, I believe these winding down activities will be significant and continuing for quite some time.

Q. WHAT ABOUT MR. EMPSON'S CLAIM THAT THE COMPANY HAS VOLUNTARILY REMOVED THE COST OF SIX ESF DEPARTMENTS?

A. Regarding Mr. Empson's claim that the Company has voluntarily removed the cost of six ESF departments, I would note that I have already stated within direct testimony that Aquila could be commended for such action. The fact that the Company has eliminated the cost of two departments that have been completely dissolved, and further, has eliminated the cost of four other departments which are largely, if not exclusively, devoted to the downsizing effort does nothing to dispel the notion that other high level ESF departments must be spending *part of their time* on the significant job of attempting financial survivorship of the corporation through sales and refinancings.

Q. HOW DO YOU RESPOND TO MR. EMPSON'S FINAL POINT THAT FOR AQUILA'S SIGNIFICANT MISSOURI JURISDICTIONAL OPERATIONS YOU HAVE PROPOSED UNREASONABLY LOW COST LEVELS FOR VARIOUS EXECUTIVE, REPORTING AND CORPORATE GOVERNANCE FUNCTIONS?

A. By way of background, at page 16 of his rebuttal testimony Mr. Empson provides what is intended to be examples of where I have purportedly allowed ridiculously low cost levels for the Chief Executive Officer, Financial Reporting, Shareholder Relations, and Corporate Secretary and Records Management departments. He provides the amounts I have allowed for these functions – basically concluding that the amounts recommended for Missouri jurisdictional cost of service development are unreasonably low for a *typical* $500-million-in-revenues energy utility.

In response, I note that Aquila has not been operating, and will not operate for some future period of time, as a *typical* energy utility. Further, Aquila's management and organizational structure has not historically been established as a *typical* energy utility. Specifically, it is my contention that historically Aquila's executive management departments have devoted significant efforts to Aquila's stated goal of growth through mergers and acquisitions. Additionally, in recent years Aquila has engaged in what it refers to as "value cycle" investing.

Q. WHAT IS MEANT BY THE TERM "VALUE CYCLE" INVESTING?

The following excerpt taken from a speech delivered by Robert Green, President and Chief Operating Officer of Aquila during calendar year 2001, to the Electrical Equipment Representatives Association on April 30, 2001 in Las Vegas, Nevada, describes the Company's "value cycle" strategy as follows:

> One major change is a whole new way of looking at our business. Since 1997, we have created a new stream of earnings through the concept of value cycles. What I mean by "value cycle" is that we invest in a business, then improve on its operations, and then break it down into its essential revenue-making parts. Some of those parts we keep, some we spin off, and some we invite investors to share in. To put it another way, we bring a business up to par and then we monetize its constituent parts.
>
> We do this in various ways depending on the particular business and the pertinent markets.
>
> For example, recently we took the Aquila subsidiary and offered it to private investors via an IPO. Or to simplify it, for purposes of investment, we basically separated Aquila from the UtiliCorp parent company.

Later Mr. Green goes on to state how the “value cycle investment strategy” has been employed with regard to Aquila’s international holdings:

> The Aquila IPO was probably the most visible application of our value cycle concept to date. However, we’ve been doing this all across the company. Wherever we find a part of our operations that we can monetize, we are taking a hard look at whether we want to hang on to it, seek partners to help run it, or even spin it off.
>
> For instance, in Canada, we have chosen to concentrate on distribution operations. Consequently, we are in the process of selling West Kootenay Power’s generation assets. And last November we sold the retail part of a utility that we acquired in Alberta named TransAlta.
>
> In Australia, we took a different approach. Last year we moved our electric and gas retail operations to a new joint venture with Shell Australia and Woodside Energy. We renamed the enterprise Pulse Energy. As Australia moves toward full deregulation, Pulse is well positioned to be the first national retailer of energy, especially with Shell Oil’s strong brand recognition.
>
> And so it goes. By moving through the value cycle, we can dramatically increase our value, focus our energies where they are the most effective, and position ourselves for new markets.
>
> It requires constant reappraisal of our company.

It is the continuing cycle of investing, changing or attempting to improve operations, reappraising and then selling businesses or piece parts of business that I believe at least a select few “high level” management departments have historically spent a good deal of their time contemplating and implementing. Importantly, the “value cycle” investing strategy has historically been a prevalent focus of senior Aquila management regarding *international* as well as domestic holdings. The efforts that upper management has historically devoted to mergers and acquisitions as well as "value cycle" investing can be expected to diminish. However, given the work yet to be undertaken, as discussed in the attached SEC Form 10-Q, it is obvious that much effort will be required by senior management to insure financial survival through selling and exiting many business operations.

Q. DOES THE "VALUE CYCLE" PHILOSOPHY LEAD YOU TO BELIEVE AQUILA'S UPPER MANAGEMENT HAD DELEGATED MUCH OF ITS AUTHORITY REGARDING REGULATED OPERATIONS?

A. Yes, I contend that Aquila's upper management has been able to devote significant efforts to its mergers and acquisitions strategy as well as its "value cycle" investing strategy by delegating to other, lower level executive departments many of the functions and activities that one envisions a *typical non*-diversified electric utility's senior executive management team to undertake. I contend that by delegating to lower level executive, reporting and governance departments, Aquila's senior executive management has been able to devote more time and resources to its stated strategy of undertaking acquisitions and "value cycle investing:"

Q. PLEASE EXPLAIN.

A. There are many layers of management at Aquila. With its size and significant historical diversity, Aquila has established IBU and ESF departments below the executive ESF departments which I contend undertake the decision making, guidance and operational oversight that one envisions or expects senior executive utility departments to undertake in a *typical* electric or gas utility. On the table below I list a number of ESF departments along with their purpose as set forth within the Company's Cost Allocation Manual. I believe a review of those activity and purpose descriptions demonstrate the point that I am making – namely, that many *typical* senior or executive management's functions have been delegated, at least in part, to such noted departments *for which I am not proposing any disallowance:*

Dep't No.	**Department Title**	**Description of Functions and Activities Undertaken by Department**
1029	VP of Production	***Executive*** expenses incurred by the VP of Production who provides ***production oversight for all regulated electric generation plants in MO, KS and CO.***
1043	VP – Regulated Power Group	***Executive*** expenses incurred by the ***VP of Regulated Power Services*** who provide ***oversight for plants in MO, KS, and CO, and oversight for production, dispatching, wholesale customers, and regulated off-system sales in MO, KS, and CO.***
6131	MO Electric SR VP	Manages electric generation, transmission and distribution operations for the State of Missouri
6312	Financial MGMT – AQN Central Support	Develop/manage/maintain monthly reports, provide financial analysis and business counsel, oversee financial/accounting processes, and direct the preparation of budgets and forecasts for US Networks
4220	Compensation Administration	Responsible for design, development & management of all compensation programs to Aquila, Inc. employees. This includes domestic (All domestic employees regardless of divisions) & international compensation programs, for which costs are directly charged to the international business units.
4223	HR Executive	Responsible for general oversight of the corporation's HR department. Also responsible for administration of employee awards programs. ***(Emphasis added)***

In addition to emphasizing that many executive, reporting and governance functions have been delegated to departments for which I am proposing *no* disallowance, I remind the Commission that I have proposed the disallowance of only *half* of the *allocable* costs of disputed departments – in consideration or in recognition of the fact that even with a degree of delegation of executive, reporting and governance functions to other departments, the noted ESF departments no doubt provide some level of oversight for such activities.

Q. IN PREVIOUS ANSWERS YOU HAVE NOTED HOW YOU BELIEVE AQUILA HAS BEEN MANAGED *HISTORICALLY.* GIVEN THE RECENT DOWNSIZING AND AQUILA'S PROCLAIMED GOAL TO RETURN TO BECOMING A *TRADITIONAL* ENERGY UTILITY, DO YOU STILL BELIEVE YOUR ADJUSTMENT IS APPROPRIATE FOR SETTING RATES PROSPECTIVELY?

A. Yes. First, as previously noted, Aquila's own public documents state the downsizing and unwinding is expected to go on for a couple more years.

Q. HAVE YOU SEEN ANYTHING ELSE THAT DEMONSTRATES YOUR ADJUSTMENT IS APPROPRIATE?

A. Yes, the Board of Directors minutes note that **________________________

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______________________________ * Indeed, I am hopeful that the issues and arguments regarding how senior Aquila management spends its time that have been litigated for approximately the last decade and a half will evaporate as Aquila "returns to its roots" to become a Plane-Jane regulated energy utility. However, for reasons noted, I do not believe Aquila is there yet – as suggested by Mr. Empson in rebuttal testimony. Accordingly, for reasons set forth within my direct and this surrebuttal testimony, I strongly urge this Commission to adopt the partial disallowance of a select few high-level ESF department costs so that Missouri jurisdictional ratepayers are not unnecessarily saddled with costs related to Aquila's exiting from a number of unregulated and international business operations.

CORPORATE HEADQUARTERS BUILDING COSTS

Q. PLEASE SUMMARIZE MR. EMPSON'S REBUTTAL ARGUMENTS OFFERED IN OPPOSITION TO YOUR ADJUSTMENT TO ELIMINATE A PORTION OF THE COMPANY'S CORPORATE HEADQUARTER BUILDING COSTS.

A. Mr. Empson argues that the building cost adjustment should be rejected stating:

- I failed to recognize that energy utilities have average vacancy rates of 13%. Accordingly, my calculated adjustment should have started by assuming 13% of the corporate headquarters building will be vacant at any given time.
- Aquila designed and built the building with much-smaller-than-industry-average cubicle spaces. Further, he argues that the Company is reexamining its office density practices – suggesting that the Company may be about to increase the size of its office cubicles – thus effectively absorbing the space in now-unused cubicles. He concludes by stating that Aquila should not be penalized for historically and presently being very aggressive in its office cubicle sizing.

- The office space at the Raytown Complex has become overcrowded – and a relocation of Raytown employees to the headquarters office building is being considered.

Q. HOW DO YOU RESPOND TO MR. EMPSON'S POINT THAT AT LEAST A PORTION OF THE OFFICE SPACE WILL ALWAYS BE VACANT TO ACCOMMODATE GROWTH IN EMPLOYMENT, REDESIGN OF USAGE, OR SPECIAL PROJECTS.

A. First, I do not believe Aquila will be experiencing growth in employment for the foreseeable future. However, I do believe that some level of vacancy can be expected due to normal turnover in the workforce, and therefore, some normal level of office vacancy could be considered in the development of the building cost adjustment.

Q. WHAT ABOUT THE INTERNATIONAL FACILITIES MANAGEMENT ASSOCIATION ("IFMA") STUDY DISCUSSED BY MR. EMPSON IN HIS REBUTTAL TESTIMONY?

A. Mr. Empson has suggested that, pursuant to an International Facilities Management Association ("IFMA") study, energy utilities experience an average vacancy rate of 13%. I have reviewed the study that Mr. Empson relies upon. I note that it was a *1997 study*. Further, and more importantly, Mr. Empson has relied upon an energy utility vacancy rate statistic for all energy utility facilities – which would include many more facilities than just corporate headquarters. On the very same page of the noted IMFA study from which Mr. Empson derived his energy utility average vacancy rate of 13% an average *headquarters* vacancy rate of 8.0 percent is shown.

Q. HAVE YOU ATTACHED A COPY OF THE IFMA STUDY AS A SCHEDULE TO THIS TESTIMONY?

A. I would have liked to, but Aquila asserted copyright laws prevented OPC from being able to copy this study.

Q. DO YOU BELIEVE SOME LEVEL OF ONGOING OFFICE VACANCY IS REASONABLE?

A. As previously noted, I accept that it is reasonable to assume some level of ongoing office vacancy. Accordingly, on attached Schedule JRD-1 I have revised my original adjustment for the 20 West 9th headquarters building cost to consider the average *headquarters* vacancy rate from the same study that Mr. Empson relies upon. Even the 8.0% vacancy rate from the 1997 study appears a bit high. Nonetheless, I have accepted its applicability when revising my original adjustment.

Q. PLEASE EXPAND UPON MR. EMPSON'S ARGUMENTS REGARDING AGGRESSIVE CUBICLE SIZING.

Mr. Empson appears to be suggesting that the Company is about to embark upon a reexamination of its office layout "since experience has shown that it was not the most productive due to noise levels and privacy issues." According to Mr. Empson, if the Company had followed the industry standard for developing office cubicle sizes that the now underutilized space would be easily absorbed.

Q. ARE YOU ALSO ACCEPTING MR. EMPSON'S ARGUMENT THAT THERE IS ESSENTIALLY NO UNUSED OFFICE SPACE IF ONE CONSIDERS THE AGGRESSIVE CUBICLE SIZING THAT AQUILA HAS HISTORICALLY EMPLOYED?

A. No. The building is touted to be Kansas City's first skyscraper – having been built in 1888. However, it was completely gutted and fully renovated utilizing state-of-the-art design and technology. Specifically, as highlighted in a multi-page glossy brochure dedicated to showcasing the benefits of the building that was distributed at the time the building opened in the late-1996-early-1997 time frame, Aquila claimed the following:

> ***State-of-the-art office design***, extremely efficient use of energy and advanced communications systems combine at 20 West Ninth ***to define the office of the 21rst century***.
>
> ***Leading-edge technology has been used to make work spaces both efficient and comfortable***. All offices are open, with the exception of more than 80 conference rooms that can be used for confidential meetings. ***(emphasis added)***

Further, the IMFA study that Mr. Empson relies upon stated:

> A common measurement for comparing space utilization is square footage per person. Respondents were asked to provide occupant count, not employees count. This metric along with several others in this report indicates ***space per person is***

> ***decreasing in comparison to similar measurements from previous years. (Emphasis added)***

Thus, the 20 West 9th headquarters office building has very recently been renovated – essentially rebuilt on the inside – purportedly utilizing state-of-the-art office design that was consistent with the trend noted in the 1997 IFMA study upon which Mr. Empson relies upon for his criticism. Given these facts, it would appear simply too coincidental that at exactly the same time the Company terminates a significant portion of its work force that the Company begins to question its configuration of its office space that it was proudly touting to be *state-of-the-art* immediately after the building was completely refurbished just a few years ago.

Q. DO YOU HAVE ANY OTHER THOUGHTS ON THIS TOPIC?

A. Yes, I would note that I do not believe the 20 West 9th building has ever been a bargain for ratepayers. The final cost of the building came in significantly higher than original estimates. The assumed alternative lease rates considered when preparing the after-completion or final feasibility study for the building were considerably higher than those used in the preliminary feasibility study for the building. And in its final or after-completion feasibility study the Company assumed that the value would significantly appreciate so that it would ultimately be sold for a significant gain. The assumption of appreciation in value used in the final feasibility study was not present in the preliminary feasibility study – nor does the Company make such an assumption when developing its proposed depreciation rates. These and other issues were initially raised in the 1997 rate case – though ultimately the issue was not pursued. I emphasize these points – not to revive an issue once settled or dropped – but rather, to simply emphasize that the marginal feasibility of the building – with its current cubicle sizing – would become much worse if the Company were to reconfigure the building so that it could absorb space in currently unused cubicle space.

Q. TURNING TO MR. EMPSON'S FINAL POINT, HOW DO YOU RESPOND TO HIS SUGGESTION THAT PART OF THE UNUSED HEADQUARTERS SPACE IS ABOUT TO BE ABSORBED BY PERSONNEL BEING TRANSFERRED FROM THE COMPANY'S RAYTOWN FACILITIES?

Mr. Empson claims that the office space in the Company's Raytown office facility "has become too crowded and relocation to the 20 West 9th Complex is being considered to relieve the pressure." However, I asked the Company in OPC Data Request No. 868 to:

> Please provide the number of employees that the Raytown complex is designed to accommodate. Provide also the current number of employees who work exclusively or as their primary office residence at the Raytown complex

The Company responded to OPC Data Request No. 868 as follows:

> Aquila uses a cube configuration that, within certain constraints, can be adjusted in terms of location and cube size to match available floor space to the number of employees occupying the facilities:
>
> - Raytown is currently designed and configured with 505 workstations (as of 10/17/03).

- Raytown currently has 465 employees (as of 10/17/03

> The current occupied workstation count does not include additional workstations that will be manned by the 32 call center employees who are currently training.

Further, within OPC Data Request No. 869 I asked the Company to:

> Please provide the number of employees working at the Raytown complex that are expected to transfer to the 20 West 9th Building by department, noting the actual or proposed transfer date.

The Company responded to OPC No. 869 by stating:

> Employee moves among campuses are fluid and dependent upon availability of space, location of associated departments and other special considerations. Any such moves are coordinated by the Facilities department, and must be requested by department heads and approved by senior management. There are no currently approved employee transfers at the time of this response.

Finally, in OPC Data Request No. 870 I asked the Company to:

> Please provide the number of employees by department or organization, if any, expected to transfer from any facility other than the Raytown complex to the 20th West 9th Building or Annex . Note from which office facility such employees are transferring, the expected date of the transfer, as well as the expected disposition of the facility from which such employees are transferring. In other words, is such facility being sold or is a lease being terminated?

The Company responded by stating:

> The response to this data request is the same as the response to data request OPC-0869 (quoted above).

In light of the Company's responses to the data requests quoted above, it is not apparent that there are any real or eminent plans to relocate and/or reconfigure office space.

Q. PLEASE SUMMARIZE YOUR SURREBUTTAL TESTIMONY REGARDING THE ISSUE OF THE COMPANY'S HEADQUARTERS FACILITY.

A. I have revised my original adjustment to consider an average headquarters building vacancy rate of 8.0% as referenced in the IFMA study relied upon by Mr. Empson. However, I do not accept any of Mr. Empson's other arguments that attempt to justify full inclusion of the building's cost in the development of rates in this case.

Q. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?

A. Yes, it does.