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Shareholders grill CEO on management compensation, area power plant

Aquila investors angryBy STEVE EVERLY
The Kansas City Star

Green

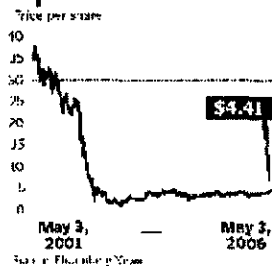
Aquila

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The head of **Aquila Inc.** got a hint he was in for a rough afternoon Wednesday when he asked shareholders at their annual meeting what was on their minds.

"Pensions!" shouted a shareholder.

That was a reference to the pension for Richard Green Jr., the company's chief executive officer, who could receive as much as \$909,000 a year in retirement pay, nearly as much as his current salary. Details of the pension were disclosed only recently.

So began a meeting in Kansas City attended by shareholders who seemed to have collectively decided they had had enough and could take no more.

Four years of no dividends, billions in losses, and stock that had lost nearly 90 percent of its value following a failed foray into energy trading set the stage. What seemed to push the shareholders over the edge was a management that continued to reap high salaries, some bonuses and lucrative pensions.

Shareholders, in an unusually emotional outpouring for an annual meeting, said in different ways it was time for management and the board of directors to answer for it.

"This is almost like a bank robbery, and the board of directors is driving the getaway car," said Dick Hull, 65, a shareholder from Johnson, Neb. "I've given your company more patience than the law allows."

Green, in defense of management, at one point said the company needs to offer excellent compensation to attract the kind of executive talent it needs.

"We're not going to have a good company unless we have good people," he said.

Green was questioned about executive bonuses and Aquila's handling of its \$140 million South Harper power plant, which a court has ordered dismantled unless Aquila gets state approval for it by May 31.

The company, in a filing with the **Securities and Exchange Commission**, also disclosed for the first time that its headquarters and support services staff will be reduced by 220 employees by Sept. 30. About 80 of those employees have already left through attrition, a company spokesman said, leaving the current staff around 1,000.

Facing the shareholders, Green appeared shaken by the outpouring of sentiment against the company and at one point sympathetic to the criticism, saying: "But it's not a good company to be in, right? You ought to be mad."

And mad they were. When Green explained the company's compensation was comparable to what is paid by peer companies, he got a shareholder rebuttal.

"Let's face it, you don't have any peers," the shareholder said.

Shareholders brought up \$3.3 million in bonuses that were awarded last year to a handful of executives — for selling four of its utilities to help shore up Aquila's finances. How could the company pay such bonuses when it was in such poor financial shape?

"I expect you people to sacrifice just like shareholders," said another shareholder, which was greeted with applause from the audience.

Even Green's brother, Robert, who left the company in 2002, came in for some criticism. He left with \$7.6 million in severance pay, which a shareholder Wednesday said he understood was paid in part to keep him from working for another utility or energy company.

"For God sakes, who would have hired him?" the shareholder said.

Richard Green got a brief respite while he gave a presentation about Aquila. Earlier in the day the company released first-quarter earnings reporting a loss of \$1.1 million for the quarter ending March 31, compared with income of \$700,000 for the first quarter a year ago.

Green sought to reassure the shareholders Aquila's remaining utilities will be sufficient to create a profitable company, which he said should happen next year. Eventually, he said, a dividend also should return.

Toward the end of the presentation he discussed the South Harper power plant in Cass County. Green said the company had followed the law, but Cass County officials said Aquila should have come to them for approval.

A shareholder gave his view of the problem with the South Harper plant.

"You think you are above everybody," he told Green.

Green replied: "The biggest mistake we made was we didn't listen to and respect our neighbors."

At the end of the meeting, Green mentioned some directors had to leave early to catch a flight.

A shareholder noted the directors were paid nearly \$50,000 to attend 10 meetings a year.

"I would hope they could arrange their plane schedules so they can attend the entire meeting" next year, the shareholder said.

Aquila's stock closed Wednesday at \$4.41, up 5 cents a share.

First glance

■ *Aquila's first-quarter earnings report Wednesday showed a loss of \$1.1 million for the quarter ending March 31, compared with a profit of \$700,000 a year ago.*

■ *The company said it would cut 220 jobs by Sept. 30, 80 of which have already been eliminated through attrition.*

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