

AQUILA, INC.
CASE NO. ER-2004-0034
MISSOURI PUBLIC SERVICE COMMISSION
DATA REQUEST NO. MPSC-613

FILED⁴

APR 29 2004

DATE OF REQUEST: December 3, 2003
DATE RECEIVED: December 3, 2003
DATE DUE: December 23, 2003
REQUESTOR: Chuck Hyneman
BRIEF DESCRIPTION: Restructuring to a State-based Organizational Structure

Missouri Public
Service Commission

QUESTION:

Please provide a detailed and comprehensive description of all changes to Aquila's operations that resulted from the change from a centralized to a state-based organizational structure. Include a description of the change in Aquila's corporate allocation process and impact on ESF and IBU departments. Please include all relevant documents that will help the Staff in understanding why the decision to move to a decentralized structure was made, the impact of the change and the benefits that have been realized as a result of the change.

RESPONSE:

1. See attached summary of 2002 actual and planned staffing reductions as of 12/19/02 "Sev Summary Numbers 121902" which track the operations changes to a state based organizational structure. Reduction numbers include actual severances as well as resignations, retirements, etc, where positions were not backfilled.
2. See the response to MPSC-200 that provides documentation as to changes in Aquila's ESF/IBU corporate allocation process.
3. See the attached response to data request OPC-836 regarding rationale for the decentralized structure.

ATTACHMENT:

Excel spreadsheet labeled Sev Summary Numbers 121902.xls
Response to data request OPC-836.

ANSWERED BY: Victoria Heider, Bev Agut, Keith Stamm

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_____ Exhibit No. _____
Case No(s). ER-2004-0034
Date 3/1/04 Rptr TH

SIGNATURE OF RESPONDENT

AQUILA, INC.
CASE NO. ER-2004-0034 & GR-2004-0072
OFFICE OF PUBLIC COUNSEL
DATA REQUEST NO. OPC-836

DATE OF REQUEST: September 8, 2003

DATE RECEIVED: September 8, 2003

DATE DUE: September 28, 2003

REQUESTOR: Jim Dittmer

QUESTION:

Reference Mr. Keith Stamm's direct testimony in Docket No. ER-2004-0034, page 12. Please provide each and every study addressing the need for, expected benefits from, and achievements (or lack thereof) regarding the program to restructure Aquila's U.S. utility operations into a more focused, more efficient, state-based organization.

RESPONSE:

There were no formal documented studies necessary to make the decision to restructure Aquila's U.S. utility operations. When I assumed my current responsibilities, it was apparent that the earnings of the regulated network business unit were low and experiencing a significant decline. My approach to addressing this earnings crisis was first to look at the cost structure of our utilities. Since the predominant cost factor of a service business is labor related, the obvious first step was to evaluate whether the labor force was organized in a manner to achieve maximum efficiency and effectiveness. My experience in operating an Australian energy distribution business combined with experience in consolidating workforces in a business combination convinced me that there were opportunities for reductions in costs, while maintaining comparable or better service quality.

In November 2001, based largely upon the United Energy operating model and discussions with Company leaders, our current operating structure was devised. The new structure created a greater operational focus at the state level and secondarily was aimed at increasing regulatory transparency by reducing allocated costs. Relatively few field positions were impacted but a net reduction of approximately 500 from the workforce was targeted, primarily in management and corporate positions. The program has been successful in that this target was effectively met, costs were eliminated and service quality metrics have been generally consistent or improved.

ATTACHMENTS:

ANSWERED BY:
Keith Stamm

SIGNATURE OF RESPONDENT

**Summary of Planned Reductions
Corporate & State Breakdown
As of 12/19/02**

Aquila Restructuring Planned Reductions

	Network Total	ESF	Raytown MO	Field MO	Omaha NE	Field NE	CO	IA	KS	MI	MN
Total as of 12/19/02	583	176	39	46	119	27	24	28	24	60	40

*EOV included in Omaha numbers - total 31

Aquila Restructuring Actual Reductions

	Network Total	ESF	Total MO	Total NE	CO	IA	KS	MI	MN
Total as of 12/19/02	548	171	121	126	7	21	19	52	31