STATE OF KANSAS

BEFORE THE

KANSAS CORPORATION COMMISSION

IN THE MATTER OF THE INVESTIGATION)
INTO THE AFFILIATE TRANSACTIONS) Docket No 02-UTCG-701-GIG
BETWEEN UTILICORP UNITED, INC. (UCU))
AND ITS UNREGULATED BUSINESSES)

DIRECT TESTIMONY OF

J. Randall Woolridge

ON BEHALF OF

THE CITIZENS' UTILITY RATEPAYER BOARD

March 30, 2005

Q. PLEASE STATE YOUR FULL NAME, ADDRESS, AND OCCUPATION.

A. My name is J. Randall Woolridge and my business address is 120 Haymaker Circle, State College, PA 16801. I am a Professor of Finance and the Goldman, Sachs & Co. and Frank P. Smeal Endowed University Fellow in Business Administration at the University Park Campus of the Pennsylvania State University. I am also the Director of the Smeal College Trading Room and the President of the Nittany Lion Fund, LLC. In addition, I am affiliated with the Columbia Group Inc., a public utility consulting firm based in Georgetown, CT. A summary of my educational background, research, and related business experience is provided in Appendix A.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

A. I have been asked by the Kansas Citizens' Utility Ratemaking Board (CURB) to provide an opinion as to whether portions of the report of Staff Witness James Proctor should be marked 'Confidential' and therefore left out of the public domain. My particular focus is whether there is a need to withhold this information from the investment community. In providing this opinion, I am not evaluating the accuracy of Mr. Proctor's analysis or his conclusions. I am simply assessing whether, in my opinion, the information deemed 'confidential' in his report is of material value to investors.

Q. PLEASE SPECIFY, IN GENERAL TERMS, THE ISSUES ADDRESSED BY MR. PROCTOR THAT YOU BELIEVE SHOULD BE MADE PUBLIC.

A. In portions of his testimony that have been deemed 'confidential,' Mr. Proctor performs various financial analyses, and addresses and provides his opinion on a number of financial issues facing the company. The financial analyses include cash flow and ratio analyses, projected financial performance, pro forma financial statements and prospective capitalizations, and business and equity valuation. The issues primarily involve an assessment of various scenarios that may be undertaken by the company and/or Commission to address Aquila's financial woes and to restore the company's financial health.

Q. PLEASE OUTLINE YOUR TESTIMONY.

A. My testimony is outlined as follows: (1) I provide an overview of the alternative constituencies of the investment community who may have an interest in the contents of Mr. Proctor's report; (2) I review the financial disclosures of public companies and summarize the information that Aquila provides to the investment community through filings with the Securities and Exchange Commission (SEC); (3) I review how analysts use the financial data and disclosures of companies; (4) I provide examples of other types of information available to investors; and (5) given the foregoing discussion, I evaluate the need to keep portions of James Proctor's testimony 'confidential.'

Q. PLEASE SUMMARIZE THE FINDINGS OF YOUR TESTIMONY.

A. In this testimony I evaluate whether there is a need to keep portions of Staff Witness James Proctor's testimony 'confidential.' Initially, I review the financial data and disclosures provided to the investment community by Aquila and other publicly corporations. I illustrate how this information is typically used by the investment community in forecasting earnings and in making investment recommendations. I also provide examples of the information that is readily available to investors. After reviewing the 'public' and 'confidential' testimony of staff witness James Proctor, I conclude that most (if not all) of this information is already known to investors and therefore is reflected in the company's stock price. Consequently, in my opinion, making this material public information will not have a significant effect on the company's share price. Any concerns about the company incurring economic harm from public disclosure of the information is grossly overstated and underestimates the understanding and abilities of those in the market who analyze companies such as Aquila for a living. Furthermore, in these days of 'financial transparency,' and especially given Aquila's past, I believe that the company is better off being more open with its financial statements and disclosures.

Investment Community

Q. WHAT ALTERNATIVE INVESTMENT COMMUNITY CONSTITUENCIES FOLLOW COMPANIES AND ANALYZE FINANCIAL RESULTS OF COMPANIES LIKE AQUILA?

A. There are a number of players in the investment community who collect and analyze financial data. These include the following:

(1) rating agencies such as Standard & Poors, Moody's and Fitches examine

financial statements and other corporate disclosures and publish detailed assessments of a company's credit worthiness and assign credit ratings to debt securities;

(2) brokerage and other financial service firms use financial statements and disclosures to measure investment risk, to gauge potential returns based on projected revenues, earnings, and cash flows, and to make earning forecasts and investment recommendations;

(3) investment information services such as (a) major financial data services (Reuters, Bloomberg); (b) investment advisory services, newsletters, and other print media (Value Line, Investment Digest); (c) internet sites (Yahoo, Market Guide, Zacks); and (d) media outlets (CNBC).

In each case, a company's financial statements and other disclosures are often analyzed by trained professionals with advanced academic degrees and certifications (e.g., CFAs). Usually, the primary objective is to use the company's financial statements and disclosures to project future financial performance and make investment recommendations.

Financial Disclosures of Public Corporations

Q. PLEASE DISCUSS THE PRIMARY DISCLOSURES OF FINANCIAL INFORMATION BY PUBLIC CORPORATIONS TO INVESTORS.

A. Publicly-held corporations are required to submit their financial statements and to make other financial disclosures through filings with the Securities and Exchange Commission (SEC). Whereas critical situations do arise where companies must immediately disclose important financial data to the investment community, a company's quarterly earnings releases, financial disclosures, and SEC filings tend to get most of the attention. Companies typically release their quarterly financial results to investors through press releases, conference calls, and webcasts. This usually occurs within four to eight weeks of the end of each quarter. In the investment community, this reporting period is known as 'earnings season' and stocks prices can be quite volatile depending on whether a company's quarterly earnings are above or below the expectation of Wall Street, and whether other financial information was disclosed with the earnings. Investment firms and financial data providers tend to respond to these quarterly releases with short write-ups that summarize the key financial data disclosures. Schedule JRW-1 provides such a report from R.W. Baird, an investment company based in Chicago. After Aquila announced earnings, Baird published its report on March 7. The report provided summary earnings results for Aquila, and indicated that the company's financial results were inline with expectations. However, due to the heavy debt load, Baird maintained an 'underperform' rating on Aquila.

Normally, within a month of the fourth quarter earnings announcement, companies file their annual report, known as the Form 10-K, with the SEC. The 10-K is probably the most thoroughly evaluated disclosure by a company. It includes a detailed description of the business, the major financial statements (income statement, balance sheet, and statement of cash flow) audited by a major accounting firm, footnotes to the financial statements that explain the accounting policies used, other financial data such as revenues and costs associated with difference business and product segments, detailed disclosure of assets and liabilities, an in-depth explanation by management of the previously year's results (Management's Discussion and Analysis (MD&A), information on the management and directors of the company and their stock ownership, and other financial disclosures. After the release of the 10-K, brokerage firms and other investment information providers normally provide more in-depth evaluations of companies and their prospective performance.

Baird updated its assessment of Aquila on March 15 after the company's March 14 conference call and the filing of its 10-K. This report is provided in Schedule JRW-2. The company's disclosure that it was seeking buyers for regulated assets, which would produce cash to pay down debt, led Baird to upgrade the stock from an 'underperform' to a 'neutral' rating.

Q. PLEASE HIGHLIGHT THE FINANCIAL DATA IN AQUILA'S 10-K THAT IS OF INTEREST TO THE INVESTMENT COMMUNITY.

A. Initially, of course, the audited financial statements would be scrutinized. On the income statement, analysts look for growth in sales and earnings, profit margins, and expenses. On the balance sheet, the amount of cash, the growth in receivables, and payables, and the amount of debt would be evaluated. The cash flow statement is important for ascertaining where cash is being generated and where it is being spent. The notes to the financial statements are essential reading to examine the accounting policies used to put the financial statements together.

Beyond the financial statements and notes, the MD&A section is considered essential reading. Here management explains the factors that have driven the financial results over the past year. I have included the MD&A section from Aquila's 2004 10-K as Schedule JRW-3. Most of the Aquila's 2004 MD&A centers on steps being taken to restructure the company business portfolio:

> This repositioning plan was developed to focus on building and maintaining the generation, transmission and distribution infrastructure necessary to provide our utility customers with safe and reliable service, while increasing the returns on invested capital in jurisdictions that lag behind those of our peers. We intend to focus on improving our returns through future rate activities and our recently initiated six sigma process improvement program, which we believe will bring our returns closer to those of our peers by the end of 2007.

More in-depth information on financial performance is provided in the section entitled 'Financial Review.' This section provides details financial data such as revenue, cost of sales, operating expenses, and operating profit for different business segments. For Aquila, the Financial Review focuses on factors that affect earnings before interest and taxes (EBIT) as summarized below:

> This review of performance is organized by business segment, reflecting the way we managed our business during the periods covered by this report. Each business group leader is responsible for operating results down to earnings before interest and taxes (EBIT). We use EBIT as a performance measure as it captures the income and expenses within the management control of our segment business leaders. Because financing for the various business segments is

> generally completed at the parent company level, EBIT provides our management and third parties an indication of how well individual business segments are performing. Therefore, each segment discussion focuses on the factors affecting EBIT, while financing and income taxes are separately discussed at the corporate level.

Schedule JRW-4 provides the Financial Review of Aquila's Domestic Utilities division. The review includes revenue, cost of sales, operating expense, and volume data by regulated electric and gas operations as well as by non-regulated operations. In addition, the Review includes a narrative that provides additional details regarding the drivers of revenues, costs, and expenses.

Since investors are highly concerned with the future prospects of a company, the section entitled 'Forward Looking Information and Risk Factors' usually highlights (1) prospective developments that are likely to affect future performance, and (2) some of the elements of uncertainty facing the company. This section of Aquila's 2004 10-K is provided as Schedule JRW-5. This section lays out actions that management plans to undertake in the future, such as rate cases to boost rates, and capital expenditures to satisfy long-term power generation and transmission needs. But it also highlights the risks associated with these actions, such as the possibility that rate increases may not be approved by regulatory commissions, and that financing may not be available for capital expenditures.

More specific forward-looking financial data are also disclosed to investors in the

10-K. Schedule JRW-6 shows Aquila's projected capital expenditures (by business segment) from 2005-2007. These disclosures provide investors with estimated investment requirements that must be financed. They are also usually accompanied by some discussion points. In Aquila's case, the company stated:

> Our estimated Domestic Utilities capital expenditures will increase significantly in 2005 from 2004, primarily because of approximately $64.3 million of additional capital expenditures on our South Harper Peaking Facility and related transmission system upgrades. In addition, 2006 and 2007 capital expenditures include the anticipated cost of additional emissions control equipment at our generating facilities.

Companies commonly disclose to investors required payments associated with financial obligations. Schedule JRW-7 shows the disclosed amounts of contractual cash obligations maturing in each of the next five years for Aquila. As stated in the 10-K:

> Our contractual cash obligations include maturities of long-term debt, cash payments for our two remaining long-term gas contracts, minimum payments on operating leases and regulated power, gas and coal purchase contracts, as well as the Elwood tolling contracts and merchant gas transportation obligations.

Further details of financial obligations are provided in the footnotes to the financial statements.

<u>**Analysts' Use of Financial Data and Disclosures**</u>

Q. HOW ARE THESE TYPES OF DISCLOSURES USED BY FINANCIAL ANALYSTS?

A. Financial analysts, whether they work for rating agencies, investment firms, or financial data services, use these data and disclosures (along with other data sources) to construct pro forma financial statements. The emphasis is usually on projected earnings, so most of the analysis focuses on projecting future income statements. Analysts usually refer to these pro forma income statements as their "earnings model." Analysts start with a company's past and present financial statements and other financial disclosures. Projecting future earnings requires a forecast of revenue or sales growth, and estimates of the cost of sales, operating and maintenance expenses, depreciation, other income and costs, interest expense, and taxes. This exercise requires an evaluation of (1) economic, industry, and company growth, (2) trends in revenues and expenses, and (3) the impact of the new initiatives and developments, and usually includes the use of growth rates, common size financial statements, and financial ratios.

Q. PLEASE PROVIDE AN EXAMPLE OF AN 'EARNINGS MODEL'?

A. UBS, the global financial services and investment management firm, updated its forecasts and "earnings model' for Aquila on March 4 after the company announced earnings. This report is provided in Schedule JRW-8. With 2004 results in, UBS forecasted the following revenues, net income, and earnings per share (EPS) for Aquila for 2005 and 2006:

	2005	**2006**
Revenues	1,754	1,798

Net Income	(77)	(22)
EPS	(0.20)	(0.05)

Q. ARE THESE EARNINGS FORECASTS AVAILABLE TO INVESTORS?

A. Yes. There are several financial data services, including Zacks, First Call, IBES, and Reuters that collect, summarize, and publish Wall Street analysts' projected EPS forecasts for companies. These forecasts are readily available on the internet. Schedule JRW-9 provides the EPS forecasts for Aquila as found on Yahoo. For the fiscal year 2005, there are three analysts who have provided their EPS estimates, the average is (0.30). This average figure is presumed to be Wall Street's estimate EPS for Aquila, and stock prices tend to be very sensitive to changes in this estimate. For fiscal year 2006, the average for Aquila is (0.06).

Information Available to Investors

Q. PLEASE PROVIDE SOME EXAMPLES OF OTHER TYPES OF INFORMATION THAT IS AVAILABLE TO INVESTORS ON A COMPANY LIKE AQUILA?

A. As discussed above, there are several different sources of information for investors. These sources include rating agencies, brokerage and financial service firms, financial data services, investment advisory services, internet sites, and media outlets.

Q. PLEASE PROVIDE AN EXAMPLE OF THE TYPE OF INFORMATION PROVIDED BY RATING AGENCIES.

A. Schedule JRW-10 provides copies of two recent reports from Fitch (page 1) and Standard & Poor's on Aquila. These are recent reports and both provide a brief synopsis of the impact of the company's repositioning plan on bond ratings. In both cases, the ratings remained the same, in part due to the uncertainty over the timing and execution of the asset sales. While these two reports are primarily narrative, other reports by rating agencies tend to focus on financial ratios which measures of liquidity and leverage to gauge the financial health of a company and its ability to repay its debts.

Q. PLEASE PROVIDE AN EXAMPLE OF THE TYPE OF INFORMATION PROVIDED BY A BROKERAGE FIRM.

A. There are only a few brokerage firms that cover Aquila. Baird and UBS appear to provide the most research reports. Examples of these reports have been provided in Schedules JRW-1, JRW-2, and JRW-8.

Q. PLEASE PROVIDE AN EXAMPLE OF THE TYPE OF INFORMATION PROVIDED BY A FINANCIAL DATA SERVICE.

A. Financial data service providers include firms like Reuters and Bloomberg. These firms provide data to a wide variety of companies in the financial services industry, including banks, insurance companies, and brokerage as well as investment management firms. Schedule JRW-11 shows a financial analysis of Aquila that is provided by Reuters. It shows valuation, financial strength, efficiency, and management effectiveness measures for Aquila, the electric utility industry, and the S&P 500. Bloomberg provides a very similar type of analysis.

Q. PLEASE PROVIDE AN EXAMPLE OF THE TYPE OF INFORMATION AVAILABLE FROM AN INVESTMENT ADVISORY SERVICE.

A. The Value Line Investment Survey is one of the most widely read investment information services in the U.S. It is available in most major libraries. Schedule JRW-12 provides the most recent Value Line report for Aquila, dated December 31, 2004. These reports have a standard form and are updated quarterly. The top section provides current stock price information as well as a historic chart. The middle section provides historic and projected information for a number of financial measures, including revenues, earnings, capitalization rates, and returns on common equity. The bottom section is a 400 word narrative on recent factors that have influenced company growth and performance.

Q. PLEASE PROVIDE AN EXAMPLE OF THE TYPE OF INFORMATION AVAILABLE ON THE INTERNET.

A. There are many investment information services on the internet, including www.yahoo.com, www.hoovers.com, and www.investor.com. Many of these services provide similar types of data and analyses. Schedule JRW-13 shows the summary financial analysis of Aquila as provided by Zacks (www.zacks.com). In addition to current stock price and valuation information, fundamental ratios are shown for growth rate, profit margins, returns on equity and assets, and capitalization ratios.

Summary and Conclusions

Q. PLEASE REVIEW THE SCOPE OF YOUR TESTIMONY.

A. I was asked to provide an opinion as to necessity of withholding the information deemed 'confidential' in the report prepared by Staff Witness James Proctor from the investment community. In the 'confidential' portion of his testimony, Mr. Proctor analyzes Aquila's past and prospective performance using cash flow and ratio analyses, projected financial statements and capitalizations, and business and equity valuation. He also provides his opinion on a number of financial issues facing the company, including an assessment of various scenarios that may be undertaken by the company and/or Commission to address Aquila's financial woes and to restore the company's financial health. In my testimony, I have not examined the accuracy of Mr. Proctor's analysis or his conclusions, nor have I been asked to do so.

Q. WHAT HAVE YOU COVERED IN YOUR TESTIMONY?

A. I have reviewed Aquila's financial disclosures and summarized the information that the company provides to the investment community through filings with the SEC. I have shown how analysts use this financial data and disclosures to build earnings models and evaluate prospective performance, and I have also provided examples of the types of financial information and analyses available to investors.

Q. WHAT HAVE YOU CONCLUDED FROM YOUR ANALYSIS?

A. The 'confidential' material in the Proctor report consists of Mr. Proctor's analysis of the company's past and prospective performance as well as his opinions on a number scenarios aimed to improve the financial health of the company. It is my opinion that the data employed, the analyses performed, the opinions expressed, and the scenarios evaluated are largely known to the investment community, and therefore their disclosure would have no material effect on the company's stock price. Any concerns about the company incurring economic harm from public disclosure of the information is grossly overstated and underestimates the understanding and abilities of those in the market who evaluate companies such as Aquila for a living. As such, I believe that the Commission should provide for the full disclosure of the Proctor report.

Q. WHY DO YOU BELIEVE THAT IT WOULD HAVE NO MATERIAL AFFECT ON THE COMPANY?

A. As I noted in my testimony above, the information that is available publicly has enabled numerous analysts to make conclusions about Aquila. The confidential material in Mr. Proctor's report would not make a material contribution to the universe of data available to them.

Q. GIVEN THE PUBLICLY AVAILABLE INFORMATION YOU DESCRIBE IN YOUR TESTIMONY, WHAT ARE SOME OF THE CONCLUSIONS THAT ANALYSTS HAVE COME TO REGARDING AQUILA'S FINANCIAL CONDITION?

A. Below are a sampling of statements made in the publicly available resources I cite in testimony. These statements clearly show that analysts in general are aware of Aquila's current financial troubles and aware of future challenges.

"ILA announced it will selectively divest regulated utility assets to raise funds to further strengthen the company's balance sheet. This announcement underscores ILA's remaining issue—too much debt for its remaining asset base." (Schedule JRW-2, Baird, March 15, 2005).

"Debt that is callable totals $559 million. The Elwood tolling contract is a total obligation to ILA of $454.4 million as of year-end 2004. We believe a settlement of this contract could cost ILA $100 to $200 million." (*Id.*)

"The market value for the plants is believed to be significantly less than the book value" (*Id.*)

"The ratings on Aquila reflect the company's onerous debt burden, nonregulated legacy operations, and marginal, albeit improving, liquidity." (Schedule JRW-10, Standard and Poor's, March 14, 2005.)

" . . . Aquila is likely to face moderate liquidity pressure—and may not have sufficient cash on hand to meet maintenance capex and its debt obligations (and other liabilities), barring further asset sales or restructuring activities." (Schedule JRW-8, UBS, March 8, 2005).

Q. THERE IS NO REASON TO BELIEVE THAT THESE ANALYSTS HAD ACCESS TO INFORMATION THAT WAS NOT AVAILABLE TO THE PUBLIC?

A. No, on the contrary. It appears that their analyses were based entirely on information that is publicly available.

Q. DO YOU HAVE ANY FURTHER OPINIONS ON THE ISSUE OF FINANCIAL DISCLOSURE FOR AQUILA?

A. Yes. In the wake of the accounting scandals at Enron, WorldCom, and many other companies, as well as in light of the ongoing investigations into financial fraud by New York Attorney General Elliott Spitzer, the theme in financial reporting and disclosure these days is 'financial transparency.' Clearly, being open with regard to financial transactions, statements and disclosures is important in the capital markets today. And, in my opinion, this is especially important for companies like Aquila who have had a troubled past.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes

VERIFICATION

STATE OF Pennsylvania)
COUNTY OF Centre) ss:

The undersigned, being of lawful age and upon oath duly sworn, states that he is a consultant for the Citizens' Utility Ratepayer Board; that he has read the foregoing, knows the contents thereof; and that the statements contained therein are true.

J. Randal Woolridge

COMMONWEALTH OF PENNSYLVANIA
Notarial Seal
Bradley D. Fritchman, Notary Public
Ferguson Twp., Centre County
My Commission Expires Dec. 29, 2005
Member, Pennsylvania Association of Notaries

Subscribed and sworn to before me this 29 day of March, 2005.

Notary Public

My Appointment Expires: 12/29/05

APPENDIX A

EDUCATIONAL BACKGROUND, RESEARCH, AND RELATED BUSINESS EXPERIENCE

J. RANDALL WOOLRIDGE

J. Randall Woolridge is a Professor of Finance and the Goldman, Sachs & Co. and Frank P. Smeal Endowed Faculty Fellow in Business Administration in the College of Business Administration of the Pennsylvania State University in University Park, PA. In addition, Professor Woolridge is Director of the Smeal College Trading Room and President and CEO of the Nittany Lion Fund, LLC. He is also a Vice President of the Columbia Group, a public utility consulting firm based in Georgetown, CT.

Professor Woolridge received a Bachelor of Arts degree in Economics from the University of North Carolina, a Master of Business Administration degree from the Pennsylvania State University, and a Doctor of Philosophy degree in Business Administration (major area-finance, minor area-statistics) from the University of Iowa. At Iowa he received a Graduate Fellowship and was awarded membership in Beta Gamma Sigma, a national business honorary society. He has taught Finance courses at the University of Iowa, Cornell College, and the University of Pittsburgh, as well as the Pennsylvania State University. These courses include corporation finance, commercial and investment banking, and investments at the undergraduate, graduate, and executive MBA levels.

Professor Woolridge's research has centered on the theoretical and empirical foundations of corporation finance and financial markets and institutions. He has published over 25 articles in the best academic and professional journals in the field, including the *Journal of Finance,* the *Journal of Financial Economics,* and the *Harvard Business Review.* His research has been cited extensively in the business press. His work has been featured in the *New York Times, Forbes, Fortune, The Economist, Financial World, Barron's, Wall Street Journal, Business Week, Washington Post, Investors' Business Daily, Worth Magazine, USA Today*, and other publications. In addition, Dr. Woolridge has appeared as a guest on CNN's *Money Line* and CNBC's *Morning Call* and *Business Today.*

The second edition of Professor Woolridge's popular stock valuation book, *The StreetSmart Guide to Valuing a Stock* (McGraw-Hill, 2003), was recently released. He has also co-authored *Spinoffs and Equity Carve-Outs: Achieving Faster Growth and Better Performance* (Financial Executives Research Foundation, 1999) as well as a new textbook entitled *Modern Corporate Finance, Capital Markets, and Valuation* (Kendall Hunt, 2003). Dr. Woolridge is a founder and a managing director of www.valuepro.net - a stock valuation website.

Professor Woolridge has also consulted with and prepared research reports for major corporations, financial institutions, and investment banking firms, and government agencies. In addition, he has directed and participated in over 500 university- and company- sponsored professional development programs for executives in 25 countries in North and South America, Europe, Asia, and Africa.

Dr. Woolridge has prepared testimony and/or provided consultation services in the following cases:

Pennsylvania: Dr. Woolridge has prepared testimony on behalf of the Pennsylvania Office of Consumer

Advocate in the following cases before the Pennsylvania Public Utility Commission: Bell Telephone Company (R-811819), Peoples Natural Gas Company (R-832315), Pennsylvania Power Company (R-832409), Western Pennsylvania Water Company (R-832381), Pennsylvania Power Company (R-842740), Pennsylvania Gas and Water Company (R-850178), Metropolitan Edison Company (R-860384), Pennsylvania Electric Company (R-860413), North Penn Gas Company (R-860535), Philadelphia Electric Company (R-870629), Western Pennsylvania Water Company (R-870825), York Water Company (R-870749), Pennsylvania-American Water Company (R-880916), Equitable Gas Company (R-880971), the Bloomsburg Water Co. (R-891494), Columbia Gas of Pennsylvania, Inc. (R-891468), Pennsylvania-American Water Company (R-90562), Breezewood Telephone Company (R-901666), York Water Company (R-901813), Columbia Gas of Pennsylvania, Inc. (R-901873), National Fuel Gas Distribution Company (R-911912), Pennsylvania-American Water Company (R-911909), Borough of Media Water Fund (R-912150), UGI Utilities, Inc. - Electric Utility Division (R-922195), Dauphin Consolidated Water Supply Company - General Waterworks of Pennsylvania, Inc, (R-932604), National Fuel Gas Distribution Company (R-932548), Commonwealth Telephone Company (I-920020), Conestoga Telephone and Telegraph Company (I-920015), Peoples Natural Gas Company (R-932866), Blue Mountain Consolidated Water Company (R-932873), National Fuel Gas Company (R-942991), UGI - Gas Division (R-953297), UGI - Electric Division (R-953534), Pennsylvania-American Water Company (R-973944), Pennsylvania-American Water Company (R-994638), Philadelphia Suburban Water Company (R-994868;R-994877;R-994878; R-9948790), Philadelphia Suburban Water Company (R-994868), Wellsboro Electric Company (R-00016356), Philadelphia Suburban Water Company (R-00016750), National Fuel Gas Distribution Company (R-00038168), Pennsylvania-American Water Company (R-00038304), York Water Company (R-00049165), Valley Energy Company (R-00049345), Wellsboro Electric Company (R-00049313), and National Fuel Gas Distribution Corporation (R-00049656).

New Jersey: Dr. Woolridge prepared testimony for the New Jersey Department of the Public Advocate, Division of Rate Counsel: New Jersey-American Water Company (R-91081399J), New Jersey-American Water Company (R-92090908J), and Environmental Disposal Corp (R-94070319).

Hawaii: Dr. Woolridge prepared testimony for the Hawaii Office of the Consumer Advocate: East Honolulu Community Services, Inc. (Docket No. 7718).

Delaware: Dr. Woolridge prepared testimony for the Delaware Division of Public Advocate: Artesian Water Company (R-00-649).

Ohio: Dr. Woolridge prepared testimony for the Ohio Office of Consumers' Council: SBC Ohio (Case No. 02-1280-TP-UNC R-00-649).

New York: Dr. Woolridge prepared testimony for the County of Nassau in New York State: Long Island Lighting Company (PSC Case No. 942354).

Connecticut: Dr. Woolridge prepared testimony for the Office of Consumer Counsel in Connecticut: United Illuminating (Docket No. 96-03-29) and Yankee Gas Company (Docket No. 04-06-01).

Kentucky: Dr. Woolridge prepared testimony for the Office of Attorney General in Kentucky: Kentucky-American Water Company (Case No. 2004-00103).

Washington, D.C.: Dr. Woolridge prepared testimony for the Office of the People's Counsel in the District of

Columbia: Potomac Electric Power Company (Formal Case No. 939).

Washington: Dr. Woolridge consulted with trial staff of the Washington Utilities and Transportation Commission on the following cases: Puget Energy Corp. (Docket Nos. UE-011570 and UG-011571); and Avista Corporation (Docket No. UE-011514).

Kansas: Dr. Woolridge prepared testimony on behalf of the Kansas Citizens' Utility Ratepayer Board Utilities in the following case: Western Resources Inc. (Docket No. 01-WSRE-949-GIE).

FERC: Dr. Woolridge has prepared testimony on behalf of the Pennsylvania Office of Consumer Advocate in the following cases before the Federal Energy Regulatory Commission: National Fuel Gas Supply Corporation (RP-92-73-000) and Columbia Gulf Transmission Company (RP97-52-000).

Vermont: Dr. Woolridge prepared testimony for the Department of Public Service in the Central Vermont Public Service Case (Docket No. 6988).

SUPPORTING SCHEDULES

Schedule JRW-1 Baird March 7, 2005

Schedule JRW-2 Baird March 15, 2005

Schedule JRW-3 Management's Discussion and Analysis of Financial Condition and Results of Operations

Schedule JRW-4 Financial Review

Schedule JRW-5 Forward-Looking Information and Risk Factors

Schedule JRW-6 Capital Expenditures

Schedule JRW-7 Contractual Obligations

Schedule JRW-8 UBS Investment Research March 8, 2005

Schedule JRW-9 First Call EPS Forecasts for Aquila

Schedule JRW-10 Fitch Ratings Standard & Poor's

Schedule JRW-11 Reuters

Schedule JRW-12 Value Line

Schedule JRW-13 Zacks

JRW-3

Baird/
U.S. EQUITY RESEARCH

Aquila, Inc. (ILA)

4Q04 Results on Target, Maintain Underperform Rating

Price: (03/04/05)	**4.12**	**Rating:**	**Underperform**
52WK H-L:	**5 - 2**		
Market Cap (mil):	**996**	**Suitability:**	**Speculative Risk**
Shares Out (mil):	241.7		
Float (mil):	238.1		
Avg. Daily Vol (mil):	1.24		
		Price Target:	**3**
Dividend:	0.00		
Yield:	0.00		

FY: Dec	**2004A**	**2005E**	**2006E**
Q1	(0.32)A	(0.12)E	
Q2	(0.31)A	(0.06)E	
Q3	(0.15)A	(0.02)E	
Q4	(0.10)A	(0.10)E	
Total	**(0.88)A**	**(0.30)E**	**(0.15)E**
Previous	(0.90)E		
FY P/E	NM	NM	NM

Please refer to "Appendix - Important Disclosures."

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Action

4Q04 EPS results were as expected and we believe ILA is on track to meet improved EPS in 2005. We reiterate our Underperform rating expecting ILA's utility operations will continue to post subpar results most likely pressuring ILA's stock price until additional rate relief is received in difficult regulatory environments. We do not expect additional rate relief until 2006.

Summary

- ILA reported a 4Q04 EPS loss, excluding unusual items, of $0.10 compared to a 4Q03 net loss of $0.18, our estimate of a loss of $0.12, and the First Call mean of a loss of $0.12. For 2004, the EPS loss, excluding unusual items, was $0.88 compared to a 2003 net loss of $0.88, our estimate of $0.90, and the First Call mean estimate of a loss of $0.75.
- We are maintaining our Underperform rating on ILA expecting below- average total returns until additional rate relief is received most likely in late 2006 or 2007.
- EBIT for the Domestic Utilities segment declined 19% in 4Q04 to $35.4 million and was down 9% to $159.1 million in 2004. Utility margins declined primarily reflecting higher operating costs for outside consulting, materials, labor, and other compensation costs, unfavorable weather, and higher fuel and purchased power costs. Partly offsetting the negatives was rate relief in 2004.
- Merchant Services continues to be a drag on earnings reflecting significant unhedged electric capacity. 2004 EBIT results were a loss of $253.2 million compared to a loss of $249.6 million in 2003. Management is continuing its pursuit to restructure the remaining toll agreement and disposition of assets.

Details

ILA reported a 4Q04 EPS loss, excluding unusual items, of $0.10 compared to a 4Q03 net loss of $0.18, our estimate of a loss of $0.12, and the First Call mean of a loss of $0.12. For 2004 the EPS loss, excluding unusual items, was $0.88 compared to a 2003 net loss of $0.88, our estimate of $0.90, and the First Call mean estimate of a loss of $0.75. On a GAAP basis ILA reported EPS losses of $1.13 and $0.21 for 2004 and 4Q04, respectively.

4Q04Results (mil)	Actual	Year Ago	Change	Estimate	Variance
Revenues	$500	$370	35.2%	$467	7.1%
Gross Income	131	94	39.4%	196	(33.2%)
Gross Margin	26%	25%		42%	
Operating Expense	129	84	53.1%	183	(29.7%)
Operating Income	2	10	(76.0%)	13	(81.5%)
Operating Margin	0%	3%		3%	(82.8%)
Pretax Income	(57)	(75)	24.6%	(50)	13.0%
Net Income	(35)	(36)	3.6%	(40)	(13.2%)
EPS	($0.10)	($0.18)	46.7%	($0.12)	(20.0%)
Shares Outstanding	353	195	80.8%	325	8.5%

2004 Results (mil)	Actual	Year Ago	Change	Estimate	Variance
Revenues	$1,711	$1,674	2.2%	$1,678	2.0%
Gross Income	497	550	(9.7%)	562	(11.6%)
Gross Margin	0	0		0	
Operating Expense	613	546	12.2%	627	(2.3%)
Operating Income	(116)	4	NM	(65)	78.2%
Operating Margin	-7%	0%		-4%	74.7%
Pretax Income	(354)	(313)	13.2%	(303)	17.0%
Net Income	(220)	(171)	(28.7%)	(195)	12.8%
EPS	($0.88)	($0.88)	(0.2%)	($0.90)	(2.6%)
Shares Outstanding	251	195	28.9%	217	15.9%

Domestic Utilities

EBIT for the Domestic Utilities segment in 4Q04 was $35.4 million, down 19% from the comparable period. In 2004, EBIT for the segment was $159.1 million, down 9% from $175.1 million in 2003. Electric utility margins were driven primarily by higher operating costs for outside consulting, materials, labor, and other compensation costs, unfavorable weather, and higher fuel and purchased power costs. Partly offsetting the negatives were higher rates due to several rate increases in 2004. Electric rate increases went into effect in Missouri in April and a Colorado increase went into effect in September. Natural gas results were driven by unfavorable weather and lower usage per customer, partly offset by higher rates in Nebraska and Missouri. The Nebraska rate increase had been in effect since January and the Missouri increase became effective in May.

Two rate cases are pending in Kansas; a $6.2 million gas rate increase, that if approved, would go into effect in 3Q05 and an electric rate case where ILA was allowed to raise rates by $7.4 million; however, ILA has asked the commission to reconsider its order. ILA intends to file for an electric rate increase in Missouri in May. The company is considering filing for increases in gas rates in Minnesota and Iowa.

Merchant Services

Merchant Services continues to be a significant drag on earnings as it has significant unhedged capacity. 2004 EBIT results were a negative $253.2 million compared to a negative $249.6 million in 2003. Management is continuing its pursuit to restructure the Elwood toll agreement, winding-down of the trade book, and harvesting opportunities for its investment in three peaking plants.

EBIT by Business Segment	3 Mos Ended 12/31/2004	Unusual Items	Recurring EBIT
Merchant Services	($94.0)	($64.8)	($29.2)
Domestic Utilities:	35.4		35.4
Corporate/Other			-
International Networks	1.9		1.9
Communications	1.0		1.0
Corporate	(17.3)	(10.6)	(6.7)
Total Corp & Other	(14.4)	(10.6)	(3.8)
Total EBIT	($73.0)	($75.4)	$2.4

EBIT by Business Segment	12 Mos Ended 12/31/2004	Unusual Items	Recurring EBIT	12 Mos Ended 12/31/2003	Variance
Merchant Services	($438.7)	($185.5)	($253.2)	($249.6)	($3.6)
Domestic Utilities:	159.1		159.1	173.8	($14.7)
Corporate/Other			-		$0.0
International Networks	2.5		2.5	12.9	($10.4)
Communications	3.7		3.7	(7.2)	$10.9
Corporate	(30.7)	(2.8)	(27.9)	13.6	($41.5)
Total Corp & Other	(24.5)	(2.8)	(21.7)	19.3	($41.0)
					-
Total EBIT	($304.1)	($188.3)	($115.8)	($56.5)	($59.3)

Balance Sheet
The total debt-to-capital ratio increased to 68% at the end of 2005, compared to 67% at year-end 2004. The current ratio increased to 1.8x, from 1.2x a year prior. While working capital improved from $458 million at year–end 2003 to $694 million, cash decreased to $225 million. Book value per share was $4.50 as of year-end 2004, compared to $6.96 a year prior.

Liquidity
ILA anticipates using its $150 revolving secured credit facility, its $110 million unsecured revolving credit facility and its cash on hand to meet its peak winter working capital requirements. CAPEX requirements at the domestic utilities are expected to be $224 million in 2005 and $179 million in 2006.

Collateral
The table below outlines the company's collateral position as of year-end 2004. As the trading positions settle, the level of collateral required decreases (assuming no movement in commodity prices). ILA has a target range of $175 to $200 million in collateral at 12/31/05.

(in millions)	12/31/2004
Trading Positions	$ 125.3
Utility cash collateral	164.6
Elwood Tolling contract	37.9
Insurance and other	25.3
	$ 353.1

Investment Thesis

We rate ILA Underperform with a Speculative Risk rating. Despite ILA's aggressive, and we expect successful, efforts to improve financial fundamentals, we see little reason for investors to hold ILA shares at this price. As stock price movements demonstrate, ILA's stock is extremely sensitive to rumors, speculation and the like.

4Q04 EPS was slightly better than expected despite mild weather, a positive. We expect it could be six quarters or more until ILA posts net income instead of a loss primarily due to continued underperformance of utility operations reflecting the under-recovery of costs. Given ILA's key focus is on improving liquidity and its balance sheet strength, predicting ILA's near-term EPS levels is difficult at best as the company continues to make progress on reducing business and financial risks and improving the long-term outlook for earnings.

The key positive in the past several months: ILA established 2005 earnings guidance (EBT loss of $85 to $110 million) signaling we are getting closer to more predictable EPS performance. The key negative: ILA expects utility margins for the next several years to remain sub-par. Additional rate relief is needed; therefore, regulatory risks remain high and the lag time to get recovery could be almost two years.

Despite the positives associated with the resolution of several long-term trading obligations, we expect ILA's stock will continue to trade at or below the current level well into 2006 reflecting an expected loss from ILA's continuing operations. As a result, we expect below-average total returns for the next 18 months and would swap out of ILA shares.

If ILA is successful, we expect these efforts could eventually be reflected in ILA's common stock price. The rating agencies' non-investment-grade credit rating, combined with the dividend elimination, is expected to keep ILA's stock trading at a substantial discount to implied asset values.

We expect ILA's stock will trade in the range of $3 to $3.50 until the predictability of EPS and margins going forward improve and regulatory risk diminishes. Our target price reflects a 30% discount to the estimated value of ILA's regulated operations, or $5, based on a mixture of traded prices and appropriate P/E multiples. ILA's book value on 12/31/04 was $4.50 with the majority of that book value attributable to ILA's regulated operations.

Risk & Caveats

The timing of and ultimate resolution of uncertainties associated with past merchant energy trading obligations is expected to keep ILA's stock price volatile.

Our Speculative Risk rating reflects the company's significant long-term obligation that must be restructured to improve the company's long-term financial fundamentals and, therefore, return ILA's financial profile in line with its utility peers. While ILA's balance sheet restructuring efforts have improved liquidity, adverse regulatory or court rulings could significantly change our long-term financial outlook for ILA, including liquidity.

The company's business is sensitive to fluctuations in the weather. A particularly warm winter or cool summer could adversely affect ILA's financial results.

ILA's utility operations are subject to Federal, state and local legislative requirements. Changes in regulations or in the regulatory environment in general could impact ILA's earnings.

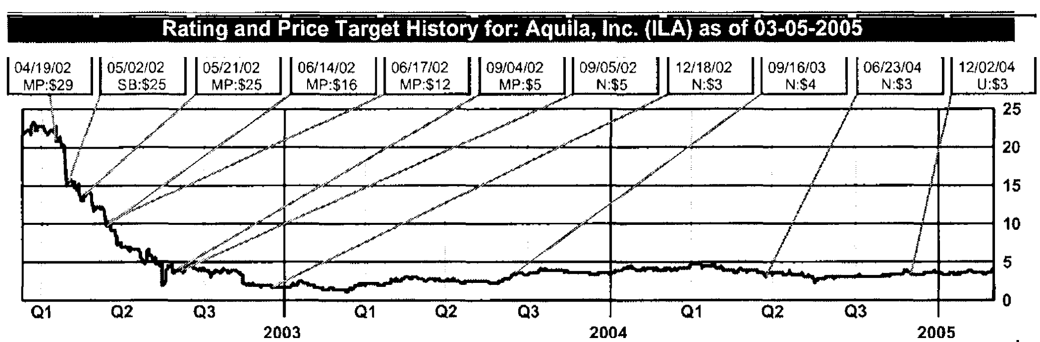
Electric and natural gas commodity markets today are among the most volatile of any commodity traded. This volatility can significantly impact financial results. ILA's trading portfolios consist of contracts to buy and sell commodities that are settled by the delivery of the commodity or cash. If the values of these contracts change in a direction or manner not anticipated, material losses could be realized from ILA's trading portfolio.

Proceeds from any asset sales might be lower than book value, which would generate additional losses and may not adequately reduce debt levels to where the remaining asset base can generate cash flow to support the debt level.

Company Description

Based in Kansas City, Missouri, Aquila, Inc. operates electricity and natural gas distribution networks serving customers in seven U.S. states. Aquila also owns and operates independent power generation assets. The company was formerly known as UtiliCorp United but changed its name to Aquila in March 2002.

"Appendix - Important Disclosures"



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JRW-2

Baird/
U.S. EQUITY RESEARCH

Aquila, Inc. (ILA)

Puts Select Regulated Assets on the Block, Upgrade to Neutral Rating

Price: (03/14/05)	**4.03**	**Rating:**	**Neutral**	**FY: Dec**	**2004A**	**2005E**	**2006E**
52WK H-L:	**5 - 2**	Previous:	Underperform	Q1	(0.32)A	(0.12)E	
Market Cap (mil):	**974**	**Suitability:**	**Higher Risk**	Q2	(0.31)A	(0.06)E	
Shares Out (mil):	241.7	Previous:	Speculative Risk	Q3	(0.15)A	(0.02)E	
Float (mil):	236.8			Q4	(0.10)A	(0.10)E	
Avg. Daily Vol (mil):	NM			**Total**	**(0.88)A**	**(0.30)E**	**(0.15)E**
		Price Target:	**4**	FY P/E	NM	NM	NM
Dividend:	0.00	Previous:	3				
Yield:	0.00						

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Please refer to "Appendix - Important Disclosures."

Action

With announcement that select regulated assets are on block, we expect ILA's stock price will trade in $3.50 to $4 range as investors focus on asset values rather than EPS weakness. As a result, we are raising our rating to Neutral, Higher Risk. However, we see little upside from the current price range given EPS performance post assets sales and debt reduction most likely will not support a stock price over $5.

Summary

- ILA announced it will selectively divest regulated utility assets to raise funds to further strengthen the company's balance sheet.
- This announcement underscores ILA's remaining issue -- too much debt for its remaining asset base. While asset sales can accelerate debt pay-down, the cost is a loss in long-term EPS power and as a result, we see limited price appreciation potential from ILA's current stock price unless the company receives robust sales prices.
- ILA expects asset sales agreements in August or September; the regulatory approval process could take from 12 to 18 months, depending on the state.
- After the divestiture process is complete, ILA expects annual EBIT growth of 3% to 5%.
- The utilities under consideration for divestiture with a total net value of $875 million are Aquila's natural gas operations in Michigan, Minnesota, and Missouri; electric operations in Colorado and Kansas; and St. Joseph Light & Power in Missouri. Proceeds will be used to pay down debt.
- Assets that have been on the block for sometime include three merchant peaking plants and Everest Connections. The company also plans a settlement of its Elwood toll contracts.

Details

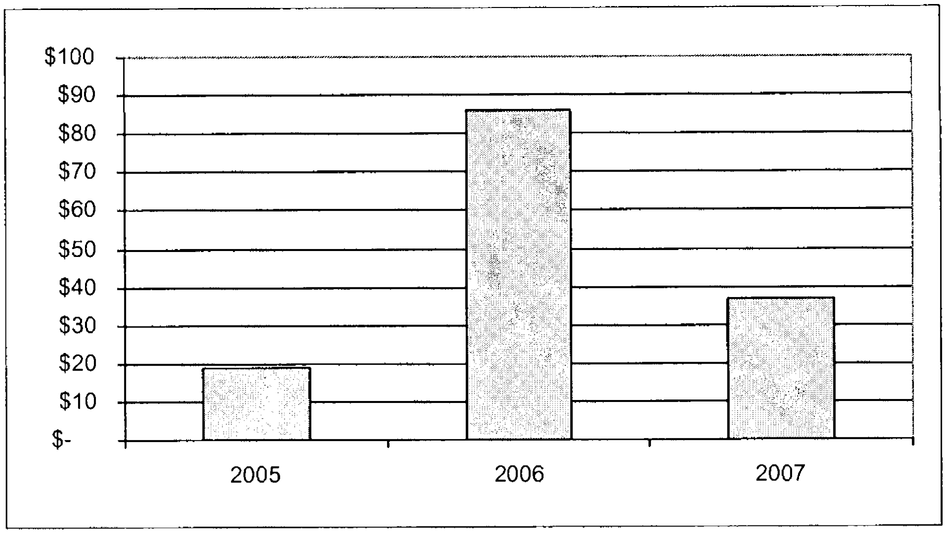
Aquila currently operates utilities in seven states. The utilities under consideration for divestiture are Aquila's natural gas operations in Michigan, Minnesota, and Missouri; electric operations in Colorado and Kansas; and St. Joseph Light & Power in Missouri. The other utilities Aquila operates are electric properties in Missouri and natural gas properties in Iowa, Nebraska, Kansas and Colorado. The table below highlights the net plant and amount of customers per utility.

Potential Divestitures	Net Plant	Customer Count
St. Joseph Light & Power	$ 191.5	71,140
Kansas Electric	203.7	68,817
Colorado Electric	130.5	89,650
Missouri Gas	48.3	42,412
Minnesota Gas	151.9	199,259
Michigan Gas	148.1	161,263
	$ 874.0	632,541
Core Utilities		
Missouri Electric	$ 859.4	229,181
Nebraska Gas	115.9	190,932
Kansas Gas	81.5	105,673
Iowa Gas	111.0	146,030
Colorado Gas	41.0	57,918
	$ 1,208.8	729,734

Proceeds from the sale of the utilities and unregulated assets are expected to be used to pay down debt with any tax due from the asset sales most likely offset by the significant tax carryforwards. The chart on the next page highlights the near-term debt maturities that total $141.9 million. Debt that is callable totals $559 million. The Elwood tolling contract is a total obligation to ILA of $454.4 million as of year-end 2004. We believe a settlement of the contract could cost ILA $100 to $200 million.

The company's senior unsecured credit rating is currently B- with S&P and Fitch and B2 with Moody's. If the sales process is successful, ILA believes the company's credit metrics would fall into the BB range when the sales close in 2007.

Near-term Debt Maturities



Assets

St. Joseph Light & Power was acquired in late 2000 for $190 million. At the time of the merger, St. Joseph Light & Power was an electric and gas utility headquartered in St. Joseph, Missouri, approximately 50 miles north of Kansas City. As of September 30, 2000, Light & Power had 12-month revenues of $103 million and assets of $258.3 million. Light & Power served 66,000 electric and gas customers in all or part of 10 counties in northwest Missouri.

The book value for the three peaker plants is approximately $450 million. The market value for the plants is believed to be significantly less than the book value.

Capital Expenditures

The table below highlights ILA estimates capex requirements for 2005 through 2007. The next table highlights ILA's rate base investment plans over the next five years. Most of the expenditures for the increase in rate base would occur after the planned divestitures are completed, after 2007.

Annual CAPEX projections

	2005	2006	2007
Domestic Utilities	$ 223.6	$ 179.0	$ 196.0
Everest Connections	7.5	11.7	3.5
Corporate & Other	6.6	1.3	1.2
Total	$ 237.7	$ 192.0	$ 200.7

Rate Base Investment Over Next Five Years

Iatan 2 - base load coal plant	$ 250
Environmental	120
South Harper - peaking plant	150
Other - Generation, T&D	130
Total	$ 650

Investment Thesis

We rate ILA Neutral with a Higher Risk rating. Despite ILA's aggressive, and we expect successful, efforts to improve financial fundamentals, we expect limited price appreciation potential from ILA's current stock price and therefore expect ILA to provide average to below average total returns in the next several years. As stock price movements demonstrate, ILA's stock is extremely sensitive to rumors, speculation and the like.

4Q04 EPS was slightly better than expected despite mild weather, a positive. We expect it could be six quarters or more until ILA posts net income instead of a loss primarily due to continued underperformance of utility operations reflecting the under-recovery of costs. Given ILA's key focus is on improving liquidity and its balance sheet strength, predicting ILA's near-term EPS levels is difficult at best as the company continues to make progress on reducing business and financial risks and improving the long-term outlook for earnings.

ILA's decision to reduce additional debt through regulated asset sales is expected to stabilize ILA's stock price in the $3.50 to $4 range as investors focus on asset values rather than EPS weakness and as a result we raised our rating to Neutral, Higher Risk. However, we see little upside from the current price range given EPS performance post assets sales and debt reduction most likely will not support a stock price over $5.

Our $4 target price reflects a 20% discount to the estimated value of ILA's regulated operations, or $5, based on a mixture of traded prices and appropriate P/E multiples. ILA's book value on 12/31/04 was $4.50 with the majority of that book value attributable to ILA's regulated operations.

The key positive in the past several months: ILA established 2005 earnings guidance (EBT loss of $85 to $110 million) signaling we are getting closer to more predictable EPS performance. The key negative: ILA expects utility margins for the next several years to remain sub-par. Additional rate relief is needed; therefore, regulatory risks remain high and the lag time to get recovery could be almost two years.

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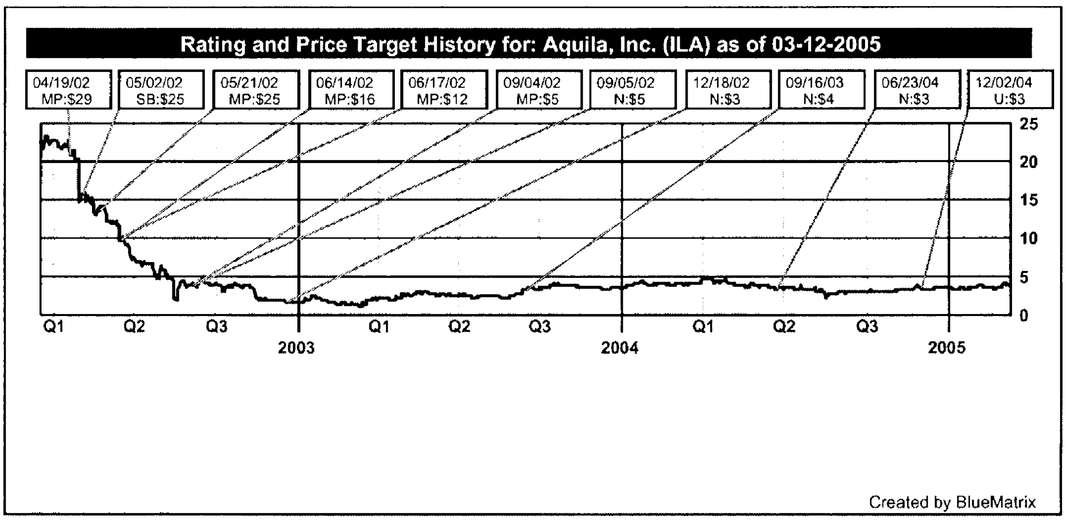

Rating and Price Target History for: Aquila, Inc. (ILA) as of 03-12-2005

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Schedule JRW-3

Management's Discussion and Analysis of Financial Condition and Results of Operations

Strategic and Financial Repositioning Overview

Overview

Our repositioning plan is based on improving operational results of our integrated electric and gas utility operations and strengthening our credit profile. The key elements of our plan are to:

Maintain synergies of an integrated, multi-state utility.

Significantly reduce our debt levels.

Continue to improve operational efficiency and lower earnings variability.

Gain access to the capital markets on improved terms, allowing the company to more cost-effectively fund investments in its rate base to meet customer needs.

Actively work with regulators and legislators to address rate and fuel cost issues.

Selectively divest regulated utility assets.

Efficiently divest of our interest in remaining three Merchant peaking facilities and Everest Connections and exit our Elwood tolling obligation.

This repositioning plan was developed to focus on building and maintaining the generation, transmission and distribution infrastructure necessary to provide our utility customers with safe and reliable service, while increasing the returns on invested capital in jurisdictions that lag behind those of our peers. We intend to focus on improving our returns through future rate activities and our recently initiated six sigma process improvement program, which we believe will bring our returns closer to those of our peers by the end of 2007.

Asset Divestures and Strengthen Credit Profile

With a stronger credit profile we will have the opportunity to invest in power generation, transmission and distribution capacity, as well as undertake environmental upgrades over the next decade. These normal course investments will not only improve the reliability and quality of our utility service, but also provides a platform for additional growth in our earnings and enhanced shareholder value.

Following an extensive review and discussion with outside advisors on our stand-alone regulated utility strategy, we have retained investment banking advisors to conduct a competitive sale process for certain regulated utility assets. Due to regulatory and price uncertainties associated with the sale of regulated assets, we intend to concurrently conduct a competitive bidding process for utility assets having an aggregate net plant book value of approximately $874 million. The utilities that will be included in the competitive bidding process are our gas operations in Michigan, Minnesota and Missouri and our electric operations in Kansas, Colorado and our St. Joseph, Missouri service territory. At the conclusion of this process, we expect to enter into one or more definitive sale agreements to sell a subset of the offered properties. We will not determine which assets to sell until the conclusion of the competitive bidding process. Among other considerations, our decision will be based on the comparison of the value of the offers versus the value we can build by continuing to own and operate these assets, execution risk through the regulatory approval process, and the opportunity to support the growth of our remaining operations.

We expect to use the proceeds from the sale of regulated utility assets to retire debt and other liabilities. We currently have more than $700 million of debt obligations that are, or are expected to be callable at par or at a reasonable fixed contractual fee. Having the ability to repurchase debt securities at fixed prices allows us to deploy the proceeds from utility asset divestures efficiently in order to reduce debt and improve our credit profile.

We will also be focused on the divesture of our non-regulated assets and contractual requirements. This includes the continued analysis of the timing of our divesture of the remaining three peaking facilities and Everest Connections. Additionally, we will continue to pursue the exit of our Elwood tolling contract commitments. The proceeds from the sale of the peaking facilities and Everest Connections will be applied towards the exit of our Elwood tolling contract or to retire debt.

Historical Review of Repositioning Efforts

In response to significant changes in the energy industry during the past few years, we undertook a strategic review of our business in the second quarter of 2002 and announced a change in our strategic direction. Our revised strategy features a concentrated focus on our domestic utility operations, which preceded our diversification into merchant and international arenas in the 1990s.

As part of this repositioning, we took the following actions in 2002:

Began the wind-down of our Merchant Services trading portfolio in North America and Europe;

Sold our natural gas storage facilities in both North America and the United Kingdom;

Sold substantially all of our merchant loan portfolio;

Sold our gas gathering and processing business located primarily in Texas and Oklahoma;

Reduced our investment in Quanta Services, Inc. (which builds and maintains networks that carry energy and telecommunications) from 38% to 10.2%;

Sold our equity investment in regulated utility operations in New Zealand; and

Eliminated our quarterly dividend.

Separately, we restructured Domestic Utilities in 2002 to more closely align it with its regulatory service areas. Due to our ongoing restructuring efforts since March 2002, we reduced staff by approximately 1,800 employees, including those transferred with the sale of various businesses. Of these, 496 were Corporate or Domestic Utilities employees.

In 2003, we continued to execute on our transition plan through the following actions:

Sold our remaining 10.2% investment in Quanta Services, Inc.;

Sold our Australian investments;

Signed an agreement to sell our United Kingdom utility investment, which we completed in January 2004;

Entered into a $430 million three-year secured term loan;

Terminated our capacity payment obligations under our Acadia tolling agreement;

Signed agreements to sell our Canadian utility businesses, which we completed in the second quarter of 2004;

Signed agreements to sell our equity investment in 13 independent power plants, which we completed in the first half of 2004;

Pursued rate increases for certain of our gas and electric operations; and

Continued the wind-down of our wholesale energy trading businesses in North America and Europe.

In 2004, we continued to implement our restructuring plan through the following actions, among others:

Sold our investment in a merchant power plant development project in the United Kingdom;

Settled rate cases relating to our Missouri and Colorado electric and Missouri and Nebraska gas utility operations and pursued rate relief for our Kansas electric and gas utility operations;

Terminated our capacity payment obligations under our Aries tolling agreement and exited our investment in the Aries merchant power plant;

Received a distribution on our investment in the BAF Energy cogeneration project;

Renewed our 364-day letter of credit facility;

Sold a non-strategic natural gas system located in eastern Missouri;

Terminated four long-term natural gas supply contracts;

Issued 46.0 million shares of common stock and $345 million of mandatorily convertible senior notes, raising $446.6 million in net proceeds;

Retired the $430 million three-year secured term loan due in April 2006;

Entered into a $220 million five-year unsecured term loan and a $110 million five-year revolving credit facility; and

Entered into a $150 million six-month revolving credit facility secured by the accounts receivable of our regulated operations.

Proceeds from these asset sales were used to pay down debt, fund restructuring charges and support our continuing operations.

Schedule JRW-4

FINANCIAL REVIEW

Three-Year Review—Domestic Utilities

Domestic Utilities is made up of our electric and gas regulated utility businesses, which operate as Aquila in Colorado, Iowa, Kansas, Michigan, Minnesota, Missouri and Nebraska.

Dollars in millions	Year Ended December 31, 2004	2003	2002
Sales:			
Electricity—regulated	$ 759.3	$ 697.5	$ 666.9
Natural gas—regulated	1,032.0	969.5	765.1
Natural gas—non-regulated	7.1	14.6	323.7
Other—non-regulated	27.2	30.2	47.1
Total sales	1,825.6	1,711.8	1,802.8
Cost of sales:			
Electricity—regulated	384.7	331.3	308.4
Natural gas—regulated	741.2	671.0	496.1
Natural gas—non-regulated	4.9	11.6	296.1
Other—non-regulated	14.0	13.3	24.7
Total cost of sales	1,144.8	1,027.2	1,125.3
Gross profit	680.8	684.6	677.5
Operating expenses:			
Operating expense	399.1	383.0	400.1
Restructuring charges	—	—	21.0
Net loss (gain) on sale of assets and other charges	—	(1.3)	9.0
Depreciation and amortization expense	126.4	129.2	124.6
Total operating expenses	525.5	510.9	554.7
Other income (expense):			
Other income	3.8	1.4	3.0
Earnings before interest and taxes	$ 159.1	$ 175.1	$ 125.8
Electric sales and transportation volumes (GWh)	12,363	11,833	12,373

Gas sales and transportation volumes (Mcf)	214,976	227,995	235,127
Electric customers	452,646	445,890	437,965
Gas customers	910,116	900,777	890,527

2004 versus 2003

Sales, Cost of Sales and Gross Profit

Sales and cost of sales for the Domestic Utilities businesses increased $113.8 million and $117.6 million, respectively, resulting in a gross profit decrease of $3.8 million in 2004 compared to 2003. These changes were primarily due to the following factors:

Regulated electric utility sales and cost of sales increased $61.8 million and $53.4 million, respectively, in 2004 compared to 2003, for a net increase in gross profit of $8.4 million. Sales and gross profit increased by $36.4 million due to rate increases in Colorado effective in July 2003 and in Missouri effective in April 2004, plus $5.6 million of additional margin from an increase in customers. These were partially offset by a $25.7 million increase in cost of sales due to the higher cost of fuel and purchased power, net of offsetting derivative hedge positions in 2004 and 2003. Unfavorable weather also decreased gross profit by $6.1 million. In addition, 2003 electric cost of sales included $2.3 million of favorable adjustments resulting from the settlement of purchased power pricing disputes that did not recur in 2004.

Sales and cost of sales for our regulated gas utilities increased $62.5 million and $70.2 million, respectively, in 2004 compared to 2003, for a net decrease in gross profit of $7.7 million. Sales and cost of sales increased due to an 18% increase in natural gas prices. However, because gas purchase costs for our gas utility operations are passed through to our customers, the change in gas prices did not have a corresponding impact on gross profit. Regulated gas margins decreased $11.4 million due to unfavorable weather and lower usage per customer in 2004 compared to 2003. Regulated gas margins in 2003 included a $1.9 million favorable change in reserved funds released upon conclusion of multi-year gas cost recovery filings that did not recur in 2004. The overall decline in gas margins due to volume and weather was partially offset by $6.6 million in rate increases in Nebraska and Missouri and $1.9 million of increased margins from customer growth.

Non-regulated gas sales, cost of sales and gross profit decreased $7.5 million, $6.7 million and $.8 million, respectively, in 2004 compared to 2003, primarily as the result of the sale of certain non-regulated gas pipeline and gathering operations in August 2003.

Non-regulated other sales decreased $3.0 million and cost of sales increased $.7 million for a net decrease in gross profit of $3.7 million, primarily as a result of a decrease in appliance service contracts and increased costs of servicing existing contracts.

Operating Expense

Operating expense increased $16.1 million in 2004 compared to 2003, as a result of a number of cost increases. The most significant of these was outside services and materials costs, which increased $6.1 million, and labor and other compensation costs, which increased $5.3 million due to additional customer service representatives, apprentice linemen, increased pension costs and compliance costs in 2004 compared to 2003.

Depreciation and Amortization Expense

Depreciation and amortization expense decreased $2.8 million in 2004 compared to 2003, primarily due to the adjustments to depreciation rates resulting from recent rate cases.

mparable to similarly titled measures used by other entities.

Schedule JRW-5

Forward-Looking Information and Risk Factors

This report contains forward-looking information. Forward-looking information involves risks and uncertainties, and certain important factors can cause actual results to differ materially from those anticipated. The forward-looking statements contained in this report include:

• We expect to complete construction of a 315-megawatt, natural gas-fired generation facility near Peculiar, Missouri this summer. Some important factors that could cause actual results to differ materially from those anticipated include:
• The construction of our South Harper Peaking Facility could be delayed by weather.
• The construction of our South Harper Peaking Facility could be delayed or barred by an adverse outcome of litigation pending against us.
• We expect our utility rates to be increased in certain states where we have utility operations. Some important factors that could cause actual results to differ materially from those anticipated include:
• Regulatory commissions may refuse to approve some or all of the utility rate increases we have requested or may request.
• The timing of utility rate increases approved by regulatory commissions is often beyond our control and, until final approval is received, our earnings will continue to be impacted.
• We anticipate significant additional capital expenditures in order to satisfy our long-term power generation and transmission needs and comply with environmental rules and regulations. Some important factors that could cause actual results to differ materially from those anticipated include:
•We may not receive the approvals required to participate in the planned construction of additional generating capacity at the Iatan facility near Weston, Missouri, or to complete the South Harper Peaking Facility.
•Environmental rules and regulations could change such that we are not required to make anticipated capital expenditures for environmental compliance.
•We may not receive shareholder approval to issue additional shares of our common stock, which may be required to fund part of our anticipated future capital expenditures.
•We believe that the anticipated capital costs of environmental compliance will be allowed for recovery in future rate cases. Some important factors that could cause actual results to differ materially from those anticipated include:
•Regulatory commissions may refuse to allow us to recover in rates part or all of the capital costs related to environmental compliance.
•Changes in applicable law or regulation may prohibit us from recovering in rates part or all of the capital costs related to environmental compliance.
•We intend to execute our long-term strategic plan, including the sale of certain regulated utility assets and our interests in three Merchant peaking facilities and Everest Connections, as well as the termination of the Elwood tolling contract, which we expect to help bring our returns closer to those of our peers by the end of 2007. Some important factors that could cause actual results to differ materially from those anticipated include:
•We may receive bids for assets at prices that are inadequate or insufficient for accomplishing our targeted goals.
•Regulatory commissions may not approve some or all of the contemplated divestitures.
•We may not be able to retire indebtedness and our other long-term obligations on reasonable terms with the proceeds raised by additional asset sales.
•We may not be able to improve returns on our Domestic Utilities business if our business process improvement initiative does not create significant savings over the next three years or, even if it does generate significant savings, we may not be allowed by regulatory commissions to retain such savings for the benefit of our shareholders.
• The counterparty to the Elwood tolling contract may be unwilling to terminate or restructure this contract, or we may not find a third party willing to assume this obligation upon acceptable terms.

• We anticipate that our current revolving credit capacity and available cash will be sufficient to fund our winter needs and working capital requirements. Some important factors that could cause actual results to differ materially from those anticipated include:
•Our access to revolving credit capacity depends on maintaining compliance with loan covenants. If we violate these covenants, we may lose revolving credit capacity and not have sufficient cash available for our winter needs.
•Unanticipated increases in the price of natural gas that we purchase for our utility customers could exhaust our liquidity in the winter months.
•Counterparties may default on their obligations to supply commodities or return collateral to us or to meet their obligations under commercial contracts, including those designed to hedge against movements in commodity prices.
•We will attempt to improve operating cash flows by improving our operating efficiencies, increasing utility rates and cost recovery, retiring debt and long-term liabilities, and completing the wind-down of our Merchant Services business. Some important factors that could cause actual results to differ materially from those anticipated include:
• We may not recover a significant portion of the fuel and purchase power costs we incur to provide utility services in our largest jurisdiction, Missouri.
• We may not be able to improve returns on our Domestic Utilities business if our business process improvement initiative does not create significant savings over the next three years or, even if it does generate significant savings, we may not be allowed by regulatory commissions to retain such savings for the benefit of our shareholders.
• Counterparties may default on their obligations to supply commodities or return collateral to us or to meet their obligations under commercial contracts, including those designed to hedge against movements in commodity prices.
• The counterparty to the Elwood tolling contract may be unwilling to terminate or restructure this contract, or we may not find a third party willing to assume this obligation upon acceptable terms.
•We believe that we have strong defenses to litigation pending against us. Some important factors that could cause actual results to differ materially from those anticipated include:
• Judges and juries can be difficult to predict and may, in fact, rule against us.
• Our positions may be weakened by adverse developments in the law or the discovery of facts that hurt our cases.
• We do not expect that the annual limitations on net operating losses would cause any of our net operating losses to expire unutilized for purposes of reducing our taxes. Some important factors that could cause actual results to differ materially from those anticipated include:
• Changes in the tax law could result in our tax net operating losses going unutilized.
• The failure to generate sufficient income could result in our tax net operating losses going unutilized.

Aquila 2005 10-K Annual Report, March 15, 2005, pp. 65-7.

Schedule JRW-6

Capital Expenditures

In millions	Actual 2004	Estimated Future Cash Requirements 2005	2006	2007
Domestic Utilities	$ 146.6	$ 223.6	$ 179.0	$ 196.0
Canadian utilities	72.8	-	-	-
Everest Connections	14.0	7.5	11.7	3.5
Corporate and Other	8.5	6.6	1.3	1.2
Total capital expenditures	$ 241.9	$ 237.7	$ 192.0	$ 200.7

Schedule JRW-7

Contractual Obligations

In millions	2005	2006	2007	2008	2009	Thereafter	Total
Long-term debt obligations *(a)*	$ 42.0	$ 89.3	$ 43.3	$ 2.6	$ 421.5	$ 1,428.2	$ 2,026.9
Long-term gas contracts	22.1	23.4	23.9	2.0	—	—	71.4
Lease and maintenance obligations	29.3	24.1	22.3	23.6	22.5	94.7	216.5
Elwood tolling contracts	37.3	37.3	37.3	37.4	37.4	267.7	454.4
Merchant gas transportation obligations	9.2	8.5	5.4	5.4	5.4	23.3	57.2
Regulated purchase obligations	330.9	280.3	249.3	205.4	178.1	582.6	1,826.6
Total	$ 470.8	$ 462.9	$ 381.5	$ 276.4	$ 664.9	$ 2,396.5	$ 4,653.0

(a)
Long-term debt obligations maturing in 2007 does not include the non-cash, mandatory conversion of $345.0 million of PIES to common stock on September 15, 2007.

JRW-8

UBS

Global Equity Research

Americas

Electric Utilities

UBS Investment Research

Aquila, Inc.

Rating	**Neutral 2*** *Unchanged*
Price target	US$3.50 *Unchanged*
Price	US$4.06

RIC: ILA.N BBG: ILA US

8 March 2005

4Q04 Results: A Prelude to a New Plan?

- **Losses Endure in 4Q04, Hampered by Weaker Utility Results**

Aquila realized a 4Q04 recurring loss of $0.14 per diluted share vs. our $0.11 loss estimate. 4Q utility EBIT declined 19% y/y, reflecting rising fuel costs (inadequate recovery) and higher O&M. This was compounded by the ongoing drain at Merchant Services, including MTM/margin losses related to its legacy book and settling the APEA-2 gas pre-pay.

- **All Eyes on Pending Missouri Legislation ....**

We continue to track progress of the compromise bill (HB434/SB179) through the MO House and Senate. If passed, this legislation would enable a recovery mechanism for fuel/purchased power/environmental costs, which we believe could greatly enhance Aquila's economics. However, mgmt. clarified that fuel recovery would still occur within a regulatory framework.

- **... And Another Conference Call Next Monday**

ILA has scheduled another conference call for March 14th (9:00 am) to discuss "a new repositioning plan". We expect other topics to include improving its weak credit profile, maximizing value from the core utilities, and progress on disposals.

- **Valuation: Cutting Loss Estimates**

We have narrowed our 05/06 EPS loss estimates to reflect dilution. We will review our financial outlook and $3.50 price target (based on a 7.5x 2006E EV/EBITDA for the utility) following next Monday's call and publication of ILA's 2004 10-K.

Highlights (US$m)	12/03	12/04	12/05E	12/06E	12/07E
Revenues	1,674	1,711	1,754	1,798	-
EBIT	(164)	(137)	109	199	-
Net income (UBS)	(336)	(293)	(77)	(22)	-
EPS (UBS, US$)	(0.96)	(0.85)	(0.20)	(0.05)	-
Net DPS (UBS, US$)	0.00	0.00	0.00	0.00	-

Profitability & Valuation	5-yr hist. av.	12/04	12/05E	12/06E	12/07E
EBIT margin %	0.9	-8.0	6.2	11.1	-
ROIC (EBIT) %	4.6	-5.2	5.4	10.0	-
EV/EBITDA x	12.8	>100	12.8	9.1	-
PE (UBS) x	16.6	-4.3	-20.3	-81.2	-
Dividend yield %	4.0	0.0	0.0	0.0	-

Source: Company accounts, Thomson Financial, UBS estimates. UBS adjusted EPS is stated before goodwill-related charges and other adjustments for abnormal and economic items at the analysts' judgement.

Valuations: based on an average share price that year, (E): based on a share price of US$4.06 on 07 Mar 2005

Trading data

52-wk. range	US$4.75-2.34
Market cap.	US$1.43bn
Shares o/s	353m
Free float	78%
Avg. daily volume ('000)	935
Avg. daily value (US$m)	3.4

Balance sheet data 12/05E

Shareholders' equity	US$1.05bn
P/BV (UBS)	1.4x
Net cash (debt)	(US$1.84bn)

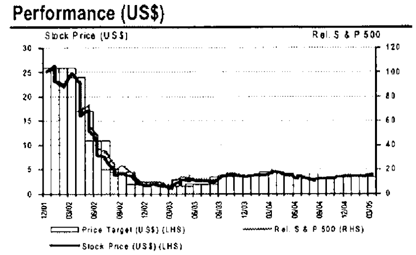
Forecast returns

Forecast price appreciation	-13.8%
Forecast dividend yield	0.0%
Forecast stock return	-13.8%
Market return assumption	8.6%
Forecast excess return	-22.4%

EPS (UBS, US$)

	12/05E From	12/05E To	Cons.	12/04 Actual
Q1E	-	-	*(0.12)*	(0.27)
Q2E	-	-	*(0.06)*	(0.33)
Q3E	-	-	*(0.02)*	(0.16)
Q4E	-	-	*(0.10)*	(0.14)
12/05E	(0.25)	(0.20)	*(0.32)*	
12/06E	(0.10)	(0.05)	*(0.15)*	

Performance (US$)



Source: UBS

www.ubs.com/investmentresearch

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ANALYST CERTIFICATION AND REQUIRED DISCLOSURES BEGIN ON PAGE 2

***Rating/return divergence; See page 3**

■ Aquila, Inc.

Aquila, headquartered in Kansas City, MO, supplies regulated electric service in three Midwestern states and supplies natural gas utility service in seven states. It also maintains a limited, but shrinking, number of investments in unregulated assets and continues to settle its legacy gas contracts and other trading positions.

■ Statement of Risk

Factors that could affect our earnings and cashflow estimates include cooler-than-normal temperatures in the cooling season, warmer-than-normal temperatures in the heating season, unreasonable or unexpected regulatory decisions, and the uncertainty created by the deregulation of the electric and natural gas industries.

Even with its recent securities offerings and new $110 million revolving credit facility designed for utility working capital needs, Aquila is likely to face moderate liquidity pressure - and may not have sufficient cash on hand to meet maintenance capex and its debt obligations (and other liabilities), barring further asset sales or restructuring activities. The company also remains subject to execution risk related to its strategic repositioning plan.

■ Analyst Certification

Each research analyst primarily responsible for the content of this research report, in whole or in part, certifies that with respect to each security or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about those securities or issuers; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by that research analyst in the research report.

Required Disclosures

This report has been prepared by UBS Securities LLC, an affiliate of UBS AG (UBS).

UBS Investment Research: Global Equity Ratings Definitions and Allocations

UBS rating	Definition	UBS rating	Definition	Rating category	Coverage[1]	IB services[2]
Buy 1	FSR is > 10% above the MRA, higher degree of predictability	**Buy 2**	FSR is > 10% above the MRA, lower degree of predictability	**Buy**	36%	32%
Neutral 1	FSR is between -10% and 10% of the MRA, higher degree of predictability	**Neutral 2**	FSR is between -10% and 10% of the MRA, lower degree of predictability	**Hold/Neutral**	53%	35%
Reduce 1	FSR is > 10% below the MRA, higher degree of predictability	**Reduce 2**	FSR is > 10% below the MRA, lower degree of predictability	**Sell**	11%	29%

1: Percentage of companies under coverage globally within this rating category.

2: Percentage of companies within this rating category for which investment banking (IB) services were provided within the past 12 months.

Source: UBS; as of 31 December 2004.

KEY DEFINITIONS

Forecast Stock Return (FSR) is defined as expected percentage price appreciation plus gross dividend yield over the next 12 months.
Market Return Assumption (MRA) is defined as the one-year local market interest rate plus 5% (an approximation of the equity risk premium).
Predictability Level The predictability level indicates an analyst's conviction in the FSR. A predictability level of '1' means that the analyst's estimate of FSR is in the middle of a narrower, or smaller, range of possibilities. A predictability level of '2' means that the analyst's estimate of FSR is in the middle of a broader, or larger, range of possibilities.
Under Review (UR) Stocks may be flagged as UR by the analyst, indicating that the stock's price target and/or rating are subject to possible change in the near term, usually in response to an event that may affect the investment case or valuation.
Rating/Return Divergence (RRD) This qualifier is automatically appended to the rating when stock price movement has caused the prevailing rating to differ from that which would be assigned according to the rating system and will be removed when there is no longer a divergence, either through market movement or analyst intervention.

EXCEPTIONS AND SPECIAL CASES

US Closed-End Fund ratings and definitions are: Buy: Higher stability of principal and higher stability of dividends; Neutral: Potential loss of principal, stability of dividend; Reduce: High potential for loss of principal and dividend risk.
UK and European Investment Fund ratings and definitions are: Buy: Positive on factors such as structure, management, performance record, discount; Neutral: Neutral on factors such as structure, management, performance record, discount; Reduce: Negative on factors such as structure, management, performance record, discount.
Core Banding Exceptions (CBE): Exceptions to the standard +/-10% bands may be granted by the Investment Review Committee (IRC). Factors considered by the IRC include the stock's volatility and the credit spread of the respective company's debt. As a result, stocks deemed to be very high or low risk may be subject to higher or lower bands as they relate to the rating. When such exceptions apply, they will be identified in the Companies Mentioned table in the relevant research piece.

Companies mentioned

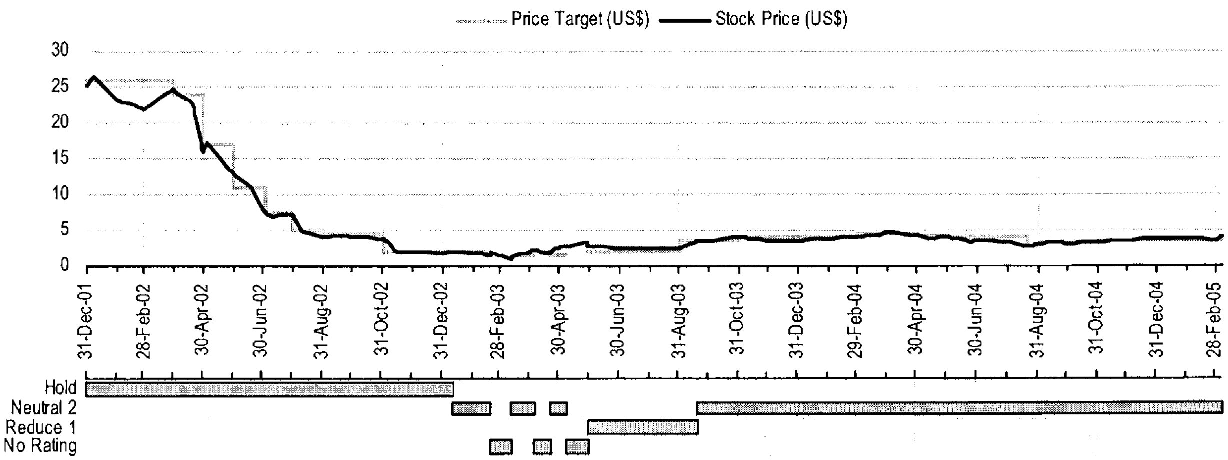
Company Name	Reuters	Rating	Price
Aquila, Inc.[2,4,6a,6b,7,13,16]	ILA.N	Neutral 2 (RRD)	US$4.06

Price(s) as of 7 March 2005. Source: UBS.

2. UBS AG, its affiliates or subsidiaries has acted as manager/co-manager in the underwriting or placement of securities of this company or one of its affiliates within the past 12 months.
4. Within the past three years, UBS AG, its affiliates or subsidiaries has received compensation for investment banking services from this company/entity.
6a. This company is, or within the past 12 months has been, a client of UBS Securities LLC, and investment banking services are being, or have been, provided.
6b. This company is, or within the past 12 months has been, a client of UBS Securities LLC, and non-investment banking securities-related services are being, or have been, provided.
7. Within the past 12 months, UBS Securities LLC has received compensation for products and services other than investment banking services from this company.
13. UBS AG, its affiliates or subsidiaries beneficially owned 1% or more of a class of this company's common equity securities as of last month's end (or the prior month's end if this report is dated less than 10 days after the most recent month's end).
16. UBS Securities LLC and/or UBS Capital Markets LP makes a market in the securities and/or ADRs of this company.

Unless otherwise indicated, please refer to the Valuation and Risk sections within the body of this report.

Aquila, Inc. (US$)



Source: UBS; as of 7 March 2005.

Note: On October 13, 2003, UBS adopted new definition criteria for its rating system. (See 'UBS Investment Research: Global Equity Ratings Definitions and Allocations' table for details.) Between January 11 and October 12, 2003, the UBS ratings and their definitions were: Buy 1: Excess return potential > 15%, smaller range around price target; Buy 2: Excess return potential > 15%, larger range around price target; Neutral 1: Excess return potential between -15% and 15%, smaller range around price target; Neutral 2: Excess return potential between -15% and 15%, larger range around price target; Reduce 1: Excess return potential < -15%, smaller range around price target; Reduce 2: Excess return potential < -15%, larger range around price target. Prior to January 11, 2003, the UBS ratings and definitions were: Strong Buy: Greater than 20% excess return potential, high degree of confidence; Buy: Positive excess return potential; Hold: Low excess return potential, low degree of confidence; Reduce: Negative excess return potential; Sell: Greater than 20% negative excess return potential, high degree of confidence. Under both ratings systems, excess return is defined as the difference between the FSR and the one-year local market interest rate.

Global Disclaimer

UBS

Schedule JRW-9
First Call EPS Forecasts for Aquila
(www.yahoo.com)

Earnings Est	Current Qtr Mar-05	Next Qtr Jun-05	Current Year Dec-05	Next Year Dec-06
Avg. Estimate	-0.12	-0.06	-0.30	-0.13
No. of Analysts	1	1	3	3
Low Estimate	-0.12	-0.06	-0.40	-0.20
High Estimate	-0.12	-0.06	-0.20	-0.05
Year Ago EPS	-0.27	-0.31	-0.83	-0.30

Revenue Est	Current Qtr Mar-05	Next Qtr Jun-05	Current Year Dec-05	Next Year Dec-06
Avg. Estimate	N/A	N/A	1.75B	1.80B
No. of Analysts	0	0	1	1
Low Estimate	N/A	N/A	1.75B	1.80B
High Estimate	N/A	N/A	1.75B	1.80B
Year Ago Sales	553.20M	335.30M	N/A	1.75B
Sales Growth (year/est)	N/A	N/A	N/A	2.5%

www.yahoo.com, **March 30, 2005**

JKW-10

FitchRatings

Fitch: Aquila Repositioning Plan Has No Immediate Effect on Ratings/Outlook

14 Mar 2005 1:27 PM (EST)

Fitch Ratings-New York-March 14, 2005: The restructuring plan announcement today by Aquila, Inc. (Aquila) has no immediate effect on the company's 'B-' senior unsecured rating and Stable Outlook, according to Fitch Ratings.

While Fitch believes execution of the plan would have positive ratings implications, the timing of asset sales and debt reduction could extend beyond the 12-24 month timeframe implicit to a Rating Outlook. Positive rating actions depend on execution of purchase and sale agreements for utilities that have been identified as potential sales candidates and for the remaining nonregulated businesses (Elwood toll and peaking plants) at prices sufficient to facilitate leverage reduction for the remaining utilities post-divestitures. In addition, passage of legislation permitting a fuel adjustment clause by the Missouri legislature followed by a constructive outcome for the Missouri rate case filing planned for May of 2005, as well as achievement of operational improvements, would have positive implications for credit quality.

The repositioning plan has a reasonable chance of success in Fitch's view. The utilities identified as potential sales candidates have collective net plant of $874 million compared with Aquila's debt reduction goal of $700 million, which provides some negotiating flexibility regarding which utilities are sold or retained. The limited amount of debt maturing over the next several years provides Aquila with breathing room to execute on the plan.

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Print

Aquila Rating Affirmed; Outlook Negative

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NEW YORK (Standard & Poor's) March 14, 2005--Standard & Poor's Ratings Services said today that it affirmed its 'B-' corporate credit rating on Aquila Inc. The outlook remains negative.

As of December 2004, the Kansas City, Mo.-based company had about $2.4 billion in total debt outstanding, including long-term gas contracts.

"The rating affirmation follows Aquila's announcement today that it plans to sell certain regulated utility assets to raise funds to reduce debt and help fund future investment in regulated capital projects," said Standard & Poor's credit analyst Jeanny Silva.

"The negative outlook may be revised to stable once the executed sale agreements provide evidence that proceeds from planned divestitures will contribute to meaningful debt reduction and improved credit measures," said Ms. Silva.

The ratings on Aquila reflect the company's onerous debt burden, nonregulated legacy operations, and marginal, albeit improving, liquidity. These risks outweigh the cash flow stability of the company's regulated utilities.

The negative outlook on Aquila reflects concerns that credit measures could weaken if the company is unable to reduce cash losses at its nonregulated operations, utility cash flows decline, or the company is unable to maintain adequate levels of liquidity.

Aquila is a diversified energy company with regulated and nonregulated businesses.

Complete ratings information is available to subscribers of RatingsDirect, Standard & Poor's Web-based credit analysis system, at www.ratingsdirect.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com; under Credit Ratings in the left navigation bar, select Find a Rating, then Credit Ratings Search.

Schedule JRW-11
Reuters Financial Analysis of Aquila

REUTERS

AQUILA INC (NYS)

LAST	CHANGE	Risk Alert for ILA.N
3.71	▲ 0.04 (1.09%) 12:30 PM ET	No Alert

SECTOR: Utilities | **INDUSTRY:** Electric Utilities

Valuation Ratios
RATIO COMPARISON

Valuation Ratios	Company	Industry	Sector	S&P 500
P/E Ratio (TTM)	NM	17.55	17.45	21.43
P/E High - Last 5 Yrs.	NA	29.60	28.44	42.31
P/E Low - Last 5 Yrs.	NA	10.01	10.62	15.75
Beta	0.29	0.36	0.41	1.00
Price to Sales (TTM)	0.57	1.35	1.49	2.87
Price to Book (MRQ)	0.82	1.95	2.04	3.92
Price to Tangible Book (MRQ)	0.91	3.31	3.31	7.15
Price to Cash Flow (TTM)	NM	7.25	8.14	14.76
Price to Free Cash Flow (TTM)	NM	24.83	27.38	25.30
% Owned Institutions	74.28	55.06	55.16	65.58

Source: www.investor.reuters.com, March 30, 2005.

Schedule JRW-11
Reuters Financial Analysis of Aquila

REUTERS

Management Effectiveness

Management Effectiveness (%)	Company	Industry	Sector	S&P 500
Return On Assets (TTM)	-5.51	2.93	3.17	7.40
Return On Assets - 5 Yr. Avg.	-4.52	2.59	2.77	6.67
Return On Investment (TTM)	-7.42	3.43	3.76	11.16
Return On Investment - 5 Yr. Avg.	-7.23	3.16	3.42	10.54
Return On Equity (TTM)	-27.29	10.36	10.62	19.46
Return On Equity - 5 Yr. Avg.	-22.70	11.47	11.27	18.79

▸ Learn about Management Effectiveness

Efficiency

Efficiency	Company	Industry	Sector	S&P 500
Revenue/Employee (TTM)	536,028	968,507	998,267	738,892
Net Income/Employee (TTM)	NM	68,840	69,937	98,295
Receivable Turnover (TTM)	3.82	8.42	8.59	10.18
Inventory Turnover (TTM)	8.86	14.58	15.27	13.11
Asset Turnover (TTM)	0.27	0.39	0.42	0.96

Source: www.investor.reuters.com, March 30, 2005.

Schedule JRW-11
Reuters Financial Analysis of Aquila

REUTERS

Financial Strength

Financial Strength	Company	Industry	Sector	S&P 500
Quick Ratio (MRQ)	1.22	0.55	0.55	1.20
Current Ratio (MRQ)	1.81	0.96	0.96	1.69
LT Debt to Equity (MRQ)	2.06	2.34	2.11	0.63
Total Debt to Equity (MRQ)	2.11	2.55	2.32	0.79
Interest Coverage (TTM)	-1.26	5.34	4.94	11.87

▸ Learn about Financial Condition Ratios

Profitability Ratios

Profitability Ratios (%)	Company	Industry	Sector	S&P 500
Gross Margin (TTM)	29.04	34.92	34.91	46.09
Gross Margin - 5 Yr. Avg.	32.87	32.14	33.10	45.61
EBITD Margin (TTM)	-10.28	27.52	26.72	21.60
EBITD - 5 Yr. Avg.	-16.46	27.68	27.33	20.37
Operating Margin (TTM)	-19.07	17.38	17.11	21.20
Operating Margin - 5 Yr. Avg.	-24.02	17.23	17.33	18.26
Pre-Tax Margin (TTM)	-32.88	10.40	10.31	18.11
Pre-Tax Margin - 5 Yr. Avg.	-27.38	11.25	11.70	17.09
Net Profit Margin (TTM)	-20.41	8.11	8.64	13.35
Net Profit Margin - 5 Yr. Avg.	-22.86	7.54	7.94	11.43
Effective Tax Rate (TTM)	NM	31.26	31.31	30.26
Effective Tax Rate - 5 Yr. Avg.	40.02	35.01	34.41	33.42

Source: www.investor.reuters.com, March 30, 2005.

JRW - 12 Value Line

AQUILA, INC. NYSE-ILA

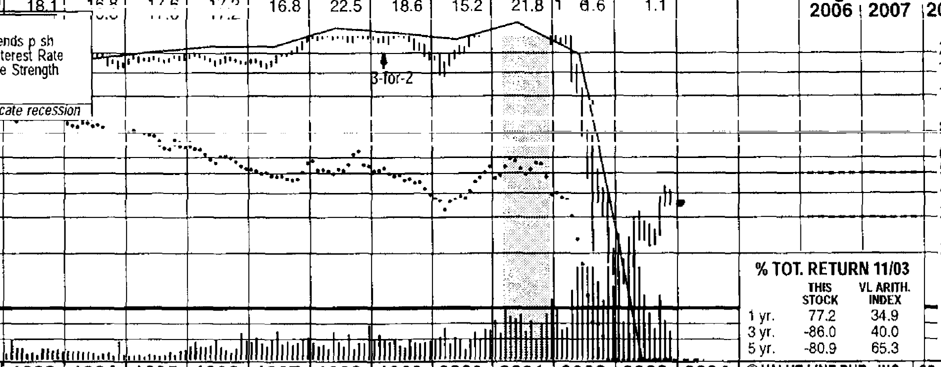
RECENT PRICE 3.53 | P/E RATIO NMF (Trailing: NMF Median: 14.0) | RELATIVE P/E RATIO NMF | DIV'D YLD Nil | VALUE LINE

TIMELINESS **3** Raised 6/27/03
SAFETY **5** Lowered 11/22/02
TECHNICAL **1** Raised 1/2/04
BETA 1.15 (1.00 = Market)

High:	19.3	22.7	21.3	19.8	20.2	26.0	26.6	26.0	31.3	37.8	27.20	4.4
Low:	14.8	18.1	16.8	17.6	17.2	16.8	22.5	18.6	15.2	21.8	16.6	1.1

Target Price Range 2006 | 2007 | 2008

LEGENDS
1.17 x Dividends p sh divided by Interest Rate
.... Relative Price Strength
3-for-2 split 3/99
Options: No
Shaded areas indicate recession



2006-08 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	5	(+40%)	10%
Low	3	(-15%)	-4%

Insider Decisions

	F	M	A	M	J	J	A	S	O
to Buy	0	0	0	0	0	0	0	0	0
Options	0	0	0	0	0	0	0	0	0
to Sell	0	0	0	0	0	0	1	1	0

Institutional Decisions

	1Q2003	2Q2003	3Q2003
to Buy	65	81	70
to Sell	78	68	61
Hld's(000)	71006	70831	90778

Percent shares traded 15 10 5

% TOT. RETURN 11/03

	THIS STOCK	VL ARITH. INDEX
1 yr.	77.2	34.9
3 yr.	-86.0	40.0
5 yr.	-80.9	65.3

1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	© VALUE LINE PUB., INC.	06-08
21.29	21.22	21.44	21.23	20.80	24.45	24.93	22.64	40.59	54.43	111.19	137.43	199.54	288.85	348.25	12.27	7.80	7.00	Revenues per sh	7.75
2.31	2.66	3.13	3.15	3.56	3.33	3.53	3.45	3.34	2.85	3.12	3.09	3.80	4.02	4.36	d.73	d.10	.35	"Cash Flow" per sh	.75
1.14	1.29	1.30	1.35	1.43	.87	1.23	1.37	1.25	1.39	1.51	1.63	1.75	1.91	2.01	d2.35	d1.00	d.60	Earnings per sh A	d.25
.62	.68	.95	.97	1.03	1.07	1.08	1.13	1.15	1.17	1.17	1.20	1.20	1.20	1.20	.78	--	Nil	Div'd Decl'd per sh B	Nil
2.03	2.48	2.88	2.82	2.59	2.82	2.23	1.97	1.59	1.69	1.66	1.33	1.39	1.38	4.54	2.25	1.35	.95	Cap'l Spending per sh	1.00
9.46	10.16	11.06	11.66	12.97	12.44	13.51	13.55	13.72	14.55	14.49	15.82	16.35	17.94	22.01	8.30	6.90	6.30	Book Value per sh C	5.5[illegible]
27.95	31.71	34.14	42.13	51.68	[illegible]3.13	[illegible].03	66.90	68.95	79.60	80.28	91.42	93.32	100.31	115.94	193.78	195.20	196.00	Common Shs Outst'g D	199.0[illegible]
10.4	9.2	9.9	9.8	11.4	20.8	6.2	13.9	15.0	13.4	13.0	15.0	13.1	11.6	15.2	NMF	NMF		Avg Ann'l P/E Ratio	NMF
.70	.76	.75	.73	.73	1.26	.96	.91	1.00	.84	.75	.78	.75	.75	.78	NMF	NMF		Relative P/E Ratio	NMF
5.2%	5.7%	7.4%	7.3%	6.3%	[illegible].9%	[illegible]4%	5.9%	6.1%	6.3%	6.0%	4.9%	5.2%	5.4%	3.9%	6.4%	--		Avg Ann'l Div'd Yield	Nil
						[illegible]1.6	1514.6	2798.5	4332.3	8926.3	12563	18622	28975	40377	2377.1	1525	1375	Revenues ($mill)	155[illegible]
						83.6	94.4	87.2	109.9	130.4	141.1	175.6	177.8	232.1	d379.7	d190	d115	Net Profit ($mill)	d50.[illegible]
						3[illegible].4%	34.3%	40.1%	40.8%	36.8%	38.0%	28.0%	36.7%	39.3%	NMF	NMF	NMF	Income Tax Rate	NMF
						[illegible].2%	2.0%	1.9%	2.2%	1.5%	2.3%	3.0%	1.9%	2.2%	NMF	NMF	NMF	AFUDC % to Net Profit	NMF
						5[illegible].9%	51.2%	55.8%	53.4%	51.8%	47.1%	54.0%	60.8%	43.9%	59.9%	62.0%	63.5%	Long-Term Debt Ratio	65.0%
						4[illegible].8%	47.5%	39.0%	42.1%	44.4%	49.5%	37.4%	39.2%	56.1%	40.1%	38.0%	36.5%	Common Equity Ratio	35.0%
						1[illegible]45.3	1909.1	2427.1	2753.7	2622.2	2922.1	4077.7	4595.5	4549.5	4005.9	3545	3395	Total Capital ($mill)	312[illegible]
						1[illegible]30.2	1633.6	2279.6	2406.7	2480.3	3313.9	3665.1	3654.9	3412.0	3180.6	3390	3515	Net Plant ($mill)	387[illegible]
						[illegible].6%	7.3%	5.9%	6.1%	7.2%	6.7%	6.3%	5.7%	7.1%	NMF	NMF	NMF	Return on Total Cap'l	1.5%
						[illegible].9%	10.1%	8.1%	8.6%	10.3%	9.1%	9.4%	9.9%	9.1%	NMF	NMF	NMF	Return on Shr. Equity	NMF
						[illegible].0%	10.1%	9.0%	8.5%	10.4%	9.1%	10.5%	9.9%	9.1%	NMF	NMF	NMF	Return on Com Equity E	NMF
						1.1%	1.9%	.9%	1.2%	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Retained to Com Eq	NMF
						89%	82%	92%	87%	79%	74%	72%	63%	58%	NMF	--	NMF	All Div'ds to Net Prof	NMF

CAPITAL STRUCTURE as of 9/30/03
Total Debt $2707.4 mill. **Due in 5 Yrs** $1234.8 mill.
LT Debt $2291.8 mill. **LT Interest** $217.1 mill.

(Interest not earned.)
Leases, Uncapitalized Annual rentals $47.4 mill.

Pension Assets-12/02 $300.3 mill. **Oblig.** $358.2 mill.

Pfd Stock None

Common Stock 195,166,982 shs. **as of 10/29/03**
MARKET CAP: $700 million (Small Cap)

ELECTRIC OPERATING STATISTICS

	2000	2001	2002
% Change Retail Sales (KWH)	+55.4	+22.6	+.[illegible]
Avg. Indust. Use (MWH)	5307	5035	5[illegible]14
Avg. Indust. Revs. per KWH (¢)	4.45	4.18	4.0[illegible]
Capacity at Peak (Mw)	NA	NA	NA
Peak Load, Summer (Mw)	2113	2541	2[illegible]
Annual Load Factor (%)	NA	NA	NA
% Change Customers (yr-end)	+97.0	+5.5	+1.[illegible]

Fixed Charge Cov. (%)	152	191	NMF

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '00-'02 to '06-'08
Revenues	25.5%	26.0%	-42.5%
"Cash Flow"	-2.5%	-4.0%	-18.5%
Earnings	-8.0%	-17.5%	NMF
Dividends	.5%	-2.0%	-100.0%
Book Value	2.5%	2.5%	-16.5%

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2000	4750	5771	8085	10369	28975
2001	11980	10441	9316	8640	40377
2002	767.4	656.0	542.4	411.3	2377.1
2003	522.8	367.4	322.0	*312.8*	*1525*
2004	*400*	*325*	*325*	*325*	*1375*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2000	.59	.31	.50	.50	1.91
2001	.69	.71	.58	.05	2.01
2002	.32	d.06	d.79	d1.43	d2.35
2003	d.33	d.16	d.36	*d.15*	*d1.00*
2004	*d.15*	*d.15*	*d.15*	*d.15*	*d.60*

Cal-endar	QUARTERLY DIVIDENDS PAID B Mar.31	Jun.30	Sep.30	Dec.31	Year
2000	.30	.30	.30	.30	1.20
2001	.30	.30	.30	.30	1.20
2002	.30	.30	.175	--	.78
2003					
2004					

BUSINESS: Aquila, Inc. (formerly UtiliCorp United) provides regulated & nonregulated electric generation and transportation/distribution of electricity & gas. Began discontinuing energy trading and marketing in '02. Electric & gas service areas incl. MO, KS, MN, IA, CO, NE, MI, & British Columbia. Customers: 438,000 electric, 891,000 gas. Electric rev. breakdown, '02: residential, 42%; commercial, 28%; industrial, 15%; other, 15%. Generating sources, '02: coal, 49%; oil & gas, 11%; purchased, 40%. '02 reported deprec. rates: electric, 4.0%; gas, 3.4%. Has 4,700 employees, 112,000 com. stockholders. Chairman, Pres. & CEO: Richard C. Green, Jr. Inc.: DE. Address: 20 West Ninth St., P.O. Box 13287, Kansas City, MO 64199-3287. Tel.: 816-421-6600. Internet: www.aquila.com.

Aquila has three asset sales pending. The company had little choice but to adopt a "back to basics" strategy after the power markets collapsed in 2002, leaving Aquila (which was a big player in energy marketing and trading) with red ink and a heavy debt burden. Accordingly, the company exited as much of the this business as it could (it is still saddled with some unattractive contracts), began divesting nonutility assets, and cut operating and maintenance expenses by more than $100 million. The sale of Aquila's Canadian utility operations will provide $600 million-$630 million, the sale of its British utility business will raise $40 million-$45 million, and the sale of most of its independent power projects will bring in $300 million. Assuming that the deals close as expected (probably in the first quarter of 2004), this will enable the company to retire the $400 million of debt that is due in the second half of 2004. Aquila plans to use the remaining cash for additional debt reduction or for payments to exit the aforementioned energy marketing contracts. But the sales weakened the company's earning power.

Once the sales have closed, Aquila will be almost entirely a regulated electric and gas utility. The company has been pursuing rate relief. Last year, it received tariff hikes totaling $34.4 million in four states. A settlement for a rate boost of $6.2 million in Nebraska was awaiting commission approval as we went to press. In Missouri, Aquila seeks an electric rate increase of $80.9 million and a gas tariff hike of $6.4 million. The commission's staff has recommended an electric increase of just $9 million, however. Rate orders are due around mid-2004.

Aquila posted a heavy loss in 2003, and another deficit is likely in 2004. The company hasn't changed the statement it made last April that it expects to record a loss in 2003 and 2004. Even if the utility receives reasonable regulatory treatment in Missouri, Aquila's bottom line will likely be stuck in the red for a while due to high interest expense and its remaining exposure to energy marketing.

This stock offers little appeal. Besides the ongoing losses, Aquila must find a way to retire or refinance over $500 million in debt that comes due in 2006.

Paul E. Debbas, CFA *January 2, 2004*

(A) Diluted EPS. Excl. nonrecurring gains (losses): '00, 30¢; '01, 41¢ net; '02, ($8.44) net; '03, (71¢); gain (loss) on discontinued operations: '02, ($2.04); '03, 6¢. '00 EPS don't add due to rounding; '01 & '02 due to changes in shares outstanding. Next earnings report due mid-Mar. (B) Div'd suspended 11/02. (C) Incl. deferred charges. In '02: $2.98/sh. (D) In millions, adj. for split. (E) Rate base: Fair value. Rate allowed on com. eq. in MO in '98 (electric): 10.75%; earned on avg. com. eq., '02: NMF. Regulatory Climate: Average.

Company's Financial Strength	C
Stock's Price Stability	25
Price Growth Persistence	15
Earnings Predictability	10

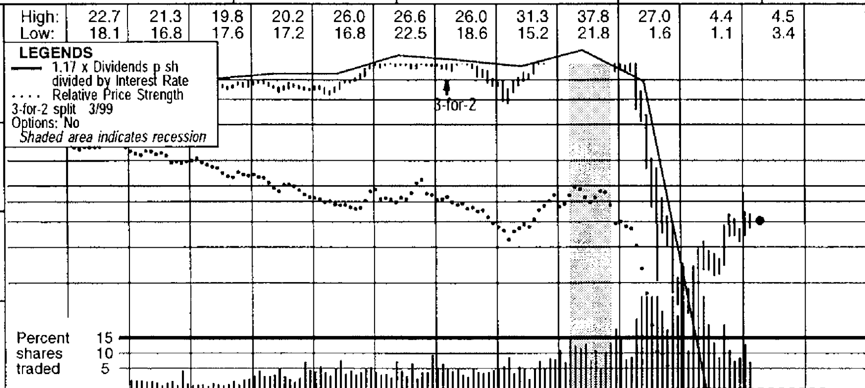
AQUILA, INC. NYSE-ILA

RECENT PRICE **4.05** | P/E RATIO **NMF** (Trailing: NMF; Median: 14.0) | RELATIVE P/E RATIO **NMF** | DIV'D YLD **Nil** | **VALUE LINE**

TIMELINESS **3** Raised 6/27/03
SAFETY **5** Lowered 11/22/02
TECHNICAL **2** Lowered 3/26/04
BETA 1.20 (1.00 = Market)

High:	22.7	21.3	19.8	20.2	26.0	26.6	26.0	31.3	37.8	27.0	4.4	4.5
Low:	18.1	16.8	17.6	17.2	16.8	22.5	18.6	15.2	21.8	1.6	1.1	3.4

Target Price Range 2007 | 2008 | 2009



2007-09 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	6	(+50%)	11%
Low	3	(-25%)	-7%

Insider Decisions

	M	J	J	A	S	O	N	D	J
to Buy	0	0	0	0	0	0	0	0	0
Options	0	0	0	0	0	0	0	0	0
to Sell	0	0	0	1	1	0	0	0	0

Institutional Decisions

	2Q2003	3Q2003	4Q2003
to Buy	81	70	85
to Sell	68	61	50
Hld's(000)	70831	90778	96717

% TOT. RETURN 2/04

	THIS STOCK	VL ARITH. INDEX
1 yr.	174.3	65.3
3 yr.	-85.1	37.3
5 yr.	-78.7	83.6

1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	© VALUE LINE PUB., INC.	07-09
21.22	21.44	21.23	20.80	24.45	24.93	22.64	40.59	54.43	111.19	137.43	199.54	288.85	348.25	12.27	8.60	9.20	9.65	Revenues per sh	10.50
2.66	3.13	3.15	3.56	3.33	3.53	3.45	3.34	2.85	3.12	3.09	3.80	4.02	4.36	d.73	d.20	.25	.55	"Cash Flow" per sh	.75
1.29	1.30	1.35	1.43	.87	1.23	1.37	1.25	1.39	1.51	1.63	1.75	1.91	2.01	d2.35	d1.09	d.65	d.40	Earnings per sh A	d.20
.68	.95	.97	1.03	1.07	1.08	1.13	1.15	1.17	1.17	1.20	1.20	1.20	1.20	.78	--	Nil	Nil	Div'd Decl'd per sh B	Nil
2.48	2.88	2.82	2.59	2.82	2.23	1.97	1.59	1.69	1.66	1.33	1.39	1.38	4.54	2.25	1.35	.85	.90	Cap'l Spending per sh	1.00
10.16	11.06	11.66	12.97	12.44	13.51	13.55	13.72	14.55	14.49	15.82	16.35	17.94	22.01	8.30	6.95	6.30	5.90	Book Value per sh C	5.25
31.71	34.14	42.13	51.68	53.13	63.03	66.90	68.95	79.60	80.28	91.42	93.32	100.31	115.94	193.78	195.20	196.00	197.00	Common Shs Outst'g D	200.00
9.2	9.9	9.8	11.4	20.8	16.2	13.9	15.0	13.4	13.0	15.0	13.1	11.6	15.2	15.2	--	Bold figures are		Avg Ann'l P/E Ratio	NMF
.76	.75	.73	.73	1.26	.96	.91	1.00	.84	.75	.78	.75	.75	.78	.78	--	Value Line		Relative P/E Ratio	NMF
5.7%	7.4%	7.3%	6.3%	5.9%	5.4%	5.9%	6.1%	6.3%	6.0%	4.9%	5.2%	5.4%	3.9%	6.4%	--	estimates		Avg Ann'l Div'd Yield	Nil

CAPITAL STRUCTURE as of 9/30/03
Total Debt $2707.4 mill. **Due in 5 Yrs** $1234.8 mill.
LT Debt $2291.8 mill. **LT Interest** $217.1 mill.

(Interest not earned.)
Leases, Uncapitalized Annual rentals $47.4 mill.

Pension Assets-12/02 $300.3 mill. **Oblig.** $358.2 mill.

Pfd Stock None

Common Stock 195,166,982 shs. **as of 10/29/03**
MARKET CAP: $800 million (Small Cap)

1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005		07-09
1514.6	2798.5	4332.3	8926.3	12563	18622	28975	40377	2377.1	1674.0	1800	1900	Revenues ($mill)	2100
94.4	87.2	109.9	130.4	141.1	175.6	177.8	232.1	d379.7	d212.9	d130	d75.0	Net Profit ($mill)	d35.0
34.3%	40.1%	40.8%	36.8%	38.0%	28.0%	36.7%	39.3%	39.3%	28.7%	NMF	NMF	Income Tax Rate	NMF
2.0%	1.9%	2.2%	1.5%	2.3%	3.0%	1.9%	2.2%	2.2%	NMF	NMF	NMF	AFUDC % to Net Profit	NMF
51.2%	55.8%	53.4%	51.8%	47.1%	54.0%	60.8%	43.9%	59.9%	62.8%	64.5%	60.0%	Long-Term Debt Ratio	66.5%
47.5%	39.0%	42.1%	44.4%	49.5%	37.4%	39.2%	56.1%	40.1%	37.2%	35.5%	40.0%	Common Equity Ratio	33.5%
1909.1	2427.1	2753.7	2622.2	2922.1	4077.7	4595.5	4549.5	4005.9	3650.5	3485	2895	Total Capital ($mill)	3075
1633.6	2279.6	2406.7	2480.3	3313.9	3665.1	3654.9	3412.0	3180.6	2755	2860	2970	Net Plant ($mill)	3300
7.3%	5.9%	6.1%	7.2%	6.7%	6.3%	5.7%	7.1%	NMF	NMF	NMF	.5%	Return on Total Cap'l	2.0%
10.1%	8.1%	8.6%	10.3%	9.1%	9.4%	9.9%	9.1%	NMF	NMF	NMF	NMF	Return on Shr. Equity	NMF
10.1%	9.0%	8.5%	10.4%	9.1%	10.5%	9.9%	9.1%	NMF	NMF	NMF	NMF	Return on Com Equity E	NMF
1.9%	.8%	1.2%	2.3%	2.6%	3.2%	3.7%	3.8%	NMF	NMF	NMF	NMF	Retained to Com Eq	NMF
82%	92%	87%	79%	74%	72%	63%	58%	NMF	NMF	NMF	NMF	All Div'ds to Net Prof	NMF

ELECTRIC OPERATING STATISTICS

	2000	2001	2002
% Change Retail Sales (KWH)	+55.4	+22.6	+.7
Avg. Indust. Use (MWH)	5307	5035	5314
Avg. Indust. Revs. per KWH (¢)	4.45	4.18	4.09
Capacity at Peak (Mw)	NA	NA	NA
Peak Load, Summer (Mw)	2113	2541	2639
Annual Load Factor (%)	NA	NA	NA
% Change Customers (yr-end)	+97.0	+5.5	+1.6
Fixed Charge Cov. (%)	152	191	NMF

ANNUAL RATES

of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '00-'02 to '07-'09
Revenues	25.5%	26.0%	-35.0%
"Cash Flow"	-2.5%	-4.0%	-16.0%
Earnings	-8.0%	-17.5%	NMF
Dividends	.5%	-2.0%	-100.0%
Book Value	2.5%	2.5%	-15.0%

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2001	11980	10441	9316	8640	40377
2002	767.4	656.0	542.4	411.3	2377.1
2003	522.8	367.4	322.0	461.8	1674.0
2004	575	375	375	475	1800
2005	600	400	400	500	1900

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2001	.69	.71	.58	.05	2.01
2002	.32	d.06	d.79	d1.43	d2.35
2003	d.33	d.21	d.36	d.19	d1.09
2004	d.20	d.15	d.15	d.15	d.65
2005	d.10	d.10	d.10	d.10	d.40

Cal-endar	QUARTERLY DIVIDENDS PAID B Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2000	.30	.30	.30	.30	1.20
2001	.30	.30	.30	.30	1.20
2002	.30	.30	.175	--	.78
2003	--	--	--	--	--
2004	--				

BUSINESS: Aquila, Inc. (formerly UtiliCorp United) provides regulated & nonregulated electric generation and transportation/distribution of electricity & gas. Began discontinuing energy trading and marketing in '02. Electric & gas service areas incl. MO, KS, MN, IA, CO, NE, MI, & British Columbia. Customers: 438,000 electric, 891,000 gas. Electric rev. breakdown, '02: residential, 42%; commercial, 28%; industrial, 15%; other, 15%. Generating sources, '02: coal, 49%; oil & gas, 11%; purchased, 40%. '02 reported deprec. rates: electric, 4.0%; gas, 3.4%. Has 4,700 employees, 112,000 com. stockholders. Chairman, Pres. & CEO: Richard C. Green, Jr. Inc.: DE. Address: 20 West Ninth St., P.O. Box 13287, Kansas City, MO 64199-3287. Tel.: 816-421-6600. Internet: www.aquila.com.

Aquila has almost completed its asset sales. Ever since the power markets collapsed two years ago, thereby weakening the company considerably, Aquila has been divesting assets and exiting as much of the energy-marketing business as possible. In the first quarter of 2004, sales of the company's British utility and the bulk of its domestic independent power projects brought in $300 million. The sale of Aquila's Canadian utilities should raise over $600 million. Some of the proceeds (along with cash on hand) will be used to retire $400 million of debt that comes due in the second half of 2004. The rest could be used for additional debt reduction or to buy out some unattractive power-marketing agreements and gas prepay contracts that are a legacy of Aquila's participation in energy marketing.

The utility has reached a settlement in its electric rate case in Missouri. Aquila had been seeking an electric tariff hike of $80.9 million. The Missouri commission's staff has agreed to a $37.55 million boost. That's far better than the staff's initial recommendation of a $9 million increase. The commission must still approve the settlement. Aquila has requested that new rates go into effect by April 15th, but the commission has until early June to issue an order. Still pending are a $6.4 million gas case in Missouri and an $11.4 million electric filing in Colorado.

We expect Aquila's losses to decline gradually, but the company will still be in the red for a while. Rate relief, the effects of a cost-cutting program, and reduced energy-marketing losses should produce bottom-line improvement in 2004 and 2005. But that won't be enough to enable the company to turn profitable. (Management hasn't given any guidance except to say that it expects a loss in 2004.) One reason (besides high interest expense) for the red ink is that many of the aforementioned asset sales, while necessary to improve Aquila's liquidity, hurt its bottom line because the divested businesses were profitable.

We continue to advise investors to avoid this stock. Still in question is whether the company will be able to retire or refinance over $500 million in debt that comes due in 2006.

Paul E. Debbas, CFA *April 2, 2004*

(A) Diluted EPS. Excl. nonrecurring gains (losses): '00, 30¢; '01, 41¢ net; '02, ($8.44) net; '03, (71¢); gain (loss) on discontinued operations: '02, ($2.04); '03, 6¢. '01 & '02 EPS don't add due to changes in shares outstanding. Next earnings report due mid-May. (B) Div'd suspended 11/02. (C) Incl. deferred charges. In '02: $2.98/sh. (D) In millions, adj. for split. (E) Rate base: Fair value. Rate allowed on com. eq. in MO in '98 (electric): 10.75%; earned on avg. com. eq., '02: NMF. Regulatory Climate: Average.

Company's Financial Strength	C
Stock's Price Stability	25
Price Growth Persistence	15
Earnings Predictability	10

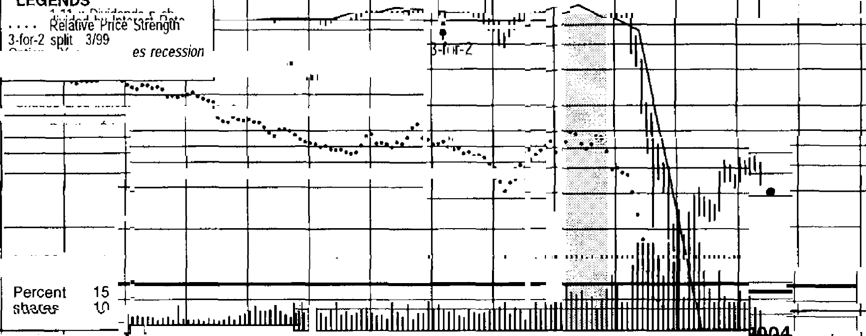
AQUILA, INC. NYSE-ILA

RECENT PRICE 3.14 | P/E RATIO NMF (Trailing: NMF; Median: 14.0) | RELATIVE P/E RATIO NMF | DIV'D YLD Nil | VALUE LINE

TIMELINESS 3 Raised 6/27/03
SAFETY 5 Lowered 11/22/02
BETA 1.25 (1.00 = Market)

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
High:	22.7	21.3	19.8	20.2	26.0	26.6	26.0	31.3	37.8	27.0	4.4	4.9
Low:	18.1	16.8	17.6	17.2	16.8	22.5	18.6	15.2	21.8	1.6	1.1	3.1

Target Price Range 2007 | 2008 | 2009



2007-09 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	6	(+90%)	18%
Low	3	(-5%)	-1%

Insider Decisions

	A	S	O	N	D	J	F	M	A
to Buy									
Options	0	0	0	0	0	0	0	0	0

Institutional Decisions

	3Q2003	4Q2003	1Q2004
to Buy	70	85	74
Hld's(000)	90778	96717	88701

Percent shares traded 15 10

% TOT. RETURN 5/04

	THIS STOCK	VL ARITH. INDEX
1 yr.	44.8	24.1
3 yr.	-87.8	18.7
5 yr.	-80.4	48.2

1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	© VALUE LINE PUB., INC.	07-09
21.22	21.44	21.23	20.80	24.45	24.93	22.64	40.59	54.43	111.19	137.13	199.54	288.85	348.25	12.27	8.57	9.20	9.65	Revenues per sh	10.50
2.66	3.13	3.15	3.56	3.33	3.53	3.45	3.34	2.85	3.12	3.09	3.80	4.02	4.36	d.73	d.20	d.05	.30	"Cash Flow" per sh	.75
1.29	1.30	1.35	1.43	.87	1.23	1.37	1.25	1.39	1.51	1.53	1.75	1.91	2.01	d2.35	d1.09	d.80	d.50	Earnings per sh A	d.20
.68	.95	.97	1.03	1.07	1.08	1.13	1.15	1.17	1.17	1.20	1.20	1.20	1.20	.78	--	Nil	Nil	Div'd Decl'd per sh B	Nil
2.48	2.88	2.82	2.59	2.82	2.23	1.97	1.59	1.69	1.66	1.33	1.39	1.38	4.54	2.25	1.37	.85	.85	Cap'l Spending per sh	1.00
10.16	11.06	11.66	12.97	12.44	13.51	13.55	13.72	14.55	14.49	15.32	16.35	17.94	22.01	8.30	6.96	6.05	5.60	Book Value per sh C	5.00
21.71	24.14	42.12	51.69	52.12	62.03	66.90	68.95	79.60	80.28	91.12	9?.32	100.31	115.94	193.78	195.25	196.00	197.00	Common Shs Outst'g	200.00
9.2	9.9	9.8	11.4	20.8	16.2	13.9	15.0	13.4	13.0	11.0	13.1	11.6	15.2	--	--	Bold figures are	Value Line	Avg Ann'l P/E Ratio	NMF
.76	.75	.73	.73	1.26	.96	.91	1.00	.84	.75	.78	.75	.75	.78	--	--	estimates		Relative P/E Ratio	NMF
5.7%	7.4%	7.3%	6.3%	5.9%	5.4%	5.9%	6.1%	6.3%	6.0%	4.9%	5.?%	5.?%	3.9%	6.4%	--			Avg Ann'l Div'd Yield	Nil

CAPITAL STRUCTURE as of 3/31/04
Total Debt $2629.0 mill. Due in 5 Yrs $1977.0 mill.
LT Debt $2207.2 mill. LT Interest $213.0 mill.

(Interest not earned.)
Leases, Uncapitalized Annual rentals $27.4 mill.

Pension Assets-12/03 $288.4 mill. **Oblig.** $330.4 mill.

Pfd Stock None
Common Stock 195,615,486 shs.
as of 4/30/04
MARKET CAP: $625 million (Small Cap)

1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005		07-09
1514.6	2798.5	4332.3	8926.3	12563	13622	28975	40377	2377.1	1674.0	1800	1900	Revenues ($mill)	2100
94.4	87.2	109.9	130.4	141.1	175.6	177.8	231.1	d379.7	d212.9	d160	d95.0	Net Profit ($mill)	d37.0
34.3%	40.1%	40.8%	36.8%	38.0%	21.0%	36.7%	39.?%	--	28.7%	NMF	NMF	Income Tax Rate	NMF
2.0%	1.9%	2.2%	1.5%	2.3%	1.0%	1.9%	2.?%	NMF	NMF	NMF	NMF	AFUDC % to Net Profit	NMF
51.2%	55.8%	53.4%	51.8%	47.1%	51.0%	60.8%	63.?%	59.9%	62.8%	65.0%	60.5%	Long-Term Debt Ratio	66.5%
47.5%	39.0%	42.1%	44.4%	49.5%	37.4%	39.2%	36.?%	40.1%	37.2%	35.0%	39.5%	Common Equity Ratio	33.5%
1909.1	2427.1	2753.7	2622.2	2922.1	4077.7	4595.5	4541.5	4005.9	3650.5	3380	2770	Total Capital ($mill)	2925
1333.6	2279.6	2406.7	2480.3	3313.9	3465.1	3654.9	3411.0	3180.6	2752.7	2890	3020	Net Plant ($mill)	3400
7.3%	5.9%	6.1%	7.2%	6.7%	6.3%	5.7%	7.?%	NMF	NMF	NMF	Nil	Return on Total Cap'l	2.0%
10.1%	8.1%	8.6%	10.3%	9.1%	9.4%	9.9%	9.?%	NMF	NMF	NMF	NMF	Return on Shr. Equity	NMF
10.1%	9.0%	8.5%	10.4%	9.1%	10.5%	9.9%	9.?%	NMF	NMF	NMF	NMF	Return on Com Equity E	NMF
1.9%	.8%	1.2%	2.3%	2.6%	3.2%	3.7%	3.?%	NMF	NMF	NMF	NMF	Retained to Com Eq	NMF
82%	92%	87%	79%	74%	72%	63%	5?%	NMF	NMF	NMF	NMF	All Div'ds to Net Prof	NMF

ELECTRIC OPERATING STATISTICS

	2001	2002	2003
% Change Retail Sales (KWH)	+22.6	+.7	+1.9
Avg. Indust. Use (MWH)	5035	5314	5563
Avg. Indust. Revs. per KWH(¢)	4.18	4.09	4.40
Capacity at Peak (Mw)	NA	NA	NA
Peak Load, Summer (Mw)	2541	2639	2799
Annual Load Factor (%)	NA	NA	NA
% Change Customers (yr-end)	+5.5	+1.6	+1.8
Fixed Charge Cov. (%)	191	NMF	NMF

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '01-'03 to '07-'09
Revenues	18.0%	4.0%	-33.5%
"Cash Flow"	--	--	-6.5%
Earnings	--	--	-13.5%
Dividends	-4.5%	-11.0%	NMF
Book Value	-.5%	-3.5%	-14.0%

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2001	11080	10441	9216	9640	40377
2002	767.4	656.0	542.4	411.3	2377.
2003	522.8	367.4	322.0	461.8	1674.
2004	553.2	*375*	*375*	*496.8*	*1800*
2005	*600*	*400*	*400*	*500*	*1900*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2001	.69	.71	.58	.05	2.01
2002	.32	d.06	d.79	d1.43	d2.35
2003	d.33	d.21	d.36	d.19	d1.09
2004	d.32	*d.17*	*d.16*	*d.15*	*d.80*
2005	*d.14*	*d.13*	*d.12*	*d.11*	*d.50*

Cal-endar	QUARTERLY DIVIDENDS PAID B Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2000	.30	.30	.30	.30	1.20
2001	.30	.30	.30	.30	1.20
2002	.30	.30	.175	--	.78
2003	--	--	--	--	--
2004	--	--			

BUSINESS: Aquila, Inc. (formerly UtiliCorp United) provides regulated & nonregulated electric generation and transmission/distribution of electricity & gas. Began discontinuing energy trading and marketing in '02. Electric & gas service areas incl. MO, KS, MN, IA, CO, NE, MI, & British Columbia. Customers: 446,000 electric, 901,000 gas. Electric rev. breakdown, '03: residential, 42%; commercial, 29%; industrial, 16%; other, 13%. Generating sources, '03: coal, 33%; oil & gas, 27%; purchased, 40%. '03 reported deprec. rates: electric, 3.1%; gas, 3.0%. Has 3,200 employees, 112,000 com. stockholders. Chairman, Pres. & CEO: Richard C. Green, Jr. Inc.: DE. Address: 20 West Ninth St., P.O. Box 13287, Kansas City, MO 64199-3287. Tel.: 816-421-6600. Internet: www.aquila.com.

Aquila has sold its Canadian utility business. The price was over US$1 billion, and the company netted an estimated US$637 million in cash. This was the last major asset sale in a divestiture program that began two years ago, after the power-trading markets collapsed and Aquila needed to raise funds for debt retirement.
Litigation against Chubb Insurance is pending. Chubb has a surety obligation of up to $513 million in support of some of Aquila's long-term gas-supply contracts, and it wants to be released from this obligation unless Aquila posts collateral. Chubb also wants to prevent Aquila from using the proceeds of the Canadian utility sale to retire $400 million of debt due in the second half of 2004. (Aquila had enough cash to repay this debt before it got the proceeds of the asset sale.) A judge issued a preliminary injunction restraining Aquila from using $504 million of cash.
Aquila is still losing money. The Canadian operations were profitable, and their sale was dilutive. Also, interest expense is still high; since Aquila's credit ratings are well below investment grade, its debt is at high rates. And Aquila is still saddled with some unprofitable contracts that are a legacy of its involvement in energy marketing. The company has stated that it will be in the red in 2004, but it has not been more specific than that. It has not provided any guidance for 2005, but we expect another, albeit smaller, deficit.
Aquila is continuing to pursue rate relief. It had some catching up to do, as regulatory matters weren't at the top of management's focus when times were good in the energy-marketing business. This year, the utility was granted electric and gas rate increases of $37.5 million and $3.4 million, respectively, in Missouri. Aquila has also filed for a $19 million (13%) electric tariff hike in Kansas, with an order due in early 2005. The utility wants an interim increase of $10 million (6.8%) there.
We advise investors to look elsewhere. Debt due in 2005 is less than $40 million, but a $430 million term loan is due in 2006. Aquila believes it will have some options for dealing with this obligation, including refinancing it, but the company's weak finances and the aforementioned litigation make it a cause for concern.
Paul E. Debbas, CFA *July 2, 2004*

(A) Diluted EPS. Excl. nonrecurring gains (losses): '00, 30¢; '01, 41¢ net; '02, ($8.44) net; '03, (71¢); '04, (11¢); gains (loss) on discontinued operations: '02, ($2.04); '03, 6¢; '04, 17¢. '01 & '02 EPS don't add due to changes in shares outstanding. Next earnings report due early Aug. (B) Div'd suspended 11/02. (C) Incl. defered charges. In '03: $1.96/sh. (D) In mill., adj. for split. (E) Rate base: Fair value. Rate allowed on com. eq. in MO in '98 (elec.): 10.75%; earned on avg. com. eq., '03: NMF. Regulatory Climate: Average.

Company's Financial Strength	C
Stock's Price Stability	25
Price Growth Persistence	15
Earnings Predictability	10

AQUILA, INC. NYSE-ILA

RECENT PRICE	3.01	P/E RATIO	NMF (Trailing: NMF; Median: 14.0)	RELATIVE P/E RATIO	NMF	DIV'D YLD	Nil	VALUE LINE

TIMELINESS 4 Lowered 9/3/04

SAFETY 5 Lowered 11/22/02

TECHNICAL 2 Raised 9/24/04

BETA 1.25 (1.00 = Market)

	High:	Low:
	22.7	18.1
	21.3	16.8
	19.8	17.6
	20.2	17.2
	26.0	16.8
	26.6	22.5
	26.0	18.6
	31.3	15.2
	37.8	21.8
	27.0	1.6
	4.4	1.1
	4.9	2.2

Target Price Range 2007 | 2008 | 2009

2007-09 PROJECTIONS

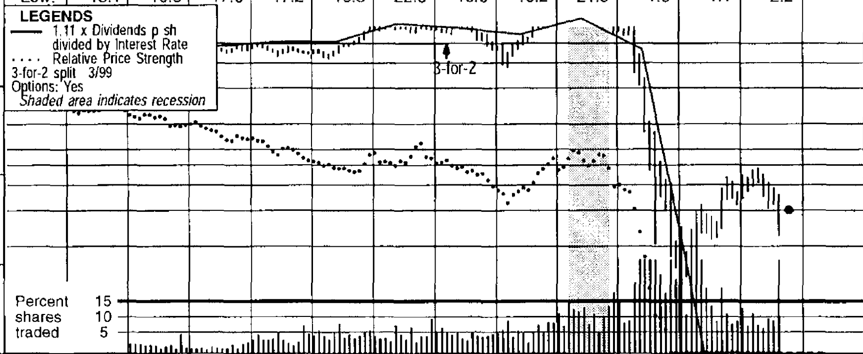
	Price	Gain	Ann'l Total Return
High	6	(+100%)	19%
Low	3	(Nil)	Nil

Insider Decisions

	N	D	J	F	M	A	M	J	J
to Buy	0	0	0	0	0	0	0	0	0
Options	0	0	0	0	0	0	2	0	0
to Sell	0	0	0	0	0	0	2	0	0

Institutional Decisions

	4Q2003	1Q2004	2Q2004
to Buy	85	74	62
to Sell	50	63	65
Hld's(000)	96717	88701	104345



% TOT. RETURN 8/04

	THIS STOCK	VL ARITH. INDEX
1 yr.	21.9	13.4
3 yr.	-89.9	29.3
5 yr.	-84.7	54.2

1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	© VALUE LINE PUB., INC.	07-09
21.22	21.44	21.23	20.80	24.45	24.93	22.64	40.59	54.43	111.19	137.43	199.54	288.85	348.25	12.27	8.57	*7.00*	*7.40*	Revenues per sh	*5.25*
2.66	3.13	3.15	3.56	3.33	3.53	3.45	3.34	2.85	3.12	3.09	3.80	4.02	4.36	d.73	d.20	*d.20*	*.30*	"Cash Flow" per sh	*.50*
1.29	1.30	1.35	1.43	.87	1.23	1.37	1.25	1.39	1.51	1.63	1.75	1.91	2.01	d2.35	d1.09	*d.90*	*d.30*	Earnings per sh A	*Nil*
.68	.95	.97	1.03	1.07	1.08	1.13	1.15	1.17	1.17	1.20	1.20	1.20	1.20	.78	--	*Nil*	*Nil*	Div'd Decl'd per sh B	*Nil*
2.48	2.88	2.82	2.59	2.82	2.23	1.97	1.59	1.69	1.66	1.33	1.39	1.38	4.54	2.25	1.37	*.70*	*.65*	Cap'l Spending per sh	*.50*
10.16	11.06	11.66	12.97	12.44	13.51	13.55	13.72	14.55	14.49	15.82	16.35	17.94	22.01	8.30	6.96	*5.40*	*5.10*	Book Value per sh C	*5.00*
31.71	34.14	42.13	51.68	53.13	63.03	66.90	68.95	79.60	80.28	91.42	93.32	100.31	115.94	193.78	195.25	*242.00*	*243.00*	Common Shs Outst'g D	*375.00*
9.2	9.9	9.8	11.4	20.8	16.2	13.9	15.0	13.4	13.0	15.0	13.1	11.6	15.2	--	--	*Bold figures are*		Avg Ann'l P/E Ratio	*NMF*
.76	.75	.73	.73	1.26	.96	.91	1.00	.84	.75	.78	.75	.75	.78	--	--	*Value Line*		Relative P/E Ratio	*NMF*
5.7%	7.4%	7.3%	6.3%	5.9%	5.4%	5.9%	6.1%	6.3%	6.0%	4.9%	5.2%	5.4%	3.9%	6.4%	--	*estimates*		Avg Ann'l Div'd Yield	*Nil*

1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005		07-09
1514.6	2798.5	4332.3	8926.3	12563	18622	28975	40377	2377.1	1674.0	*1700*	*1800*	Revenues ($mill)	*2000*
94.4	87.2	109.9	130.4	141.1	175.6	177.8	232.1	d379.7	d212.9	*d195*	*d75.0*	Net Profit ($mill)	*Nil*
34.3%	40.1%	40.8%	36.8%	38.0%	28.0%	36.7%	39.3%	--	28.7%	*NMF*	*NMF*	Income Tax Rate	*NMF*
2.0%	1.9%	2.2%	1.5%	2.3%	3.0%	1.9%	2.2%	NMF	NMF	*NMF*	*NMF*	AFUDC % to Net Profit	*NMF*
51.2%	55.8%	53.4%	51.8%	47.1%	54.0%	60.8%	43.9%	59.9%	62.8%	*63.5%*	*64.0%*	Long-Term Debt Ratio	*53.0%*
47.5%	39.0%	42.1%	44.4%	49.5%	37.4%	39.2%	56.1%	40.1%	37.2%	*36.5%*	*36.0%*	Common Equity Ratio	*47.0%*
1909.1	2427.1	2753.7	2622.2	2922.1	4077.7	4595.5	4549.5	4005.9	3650.5	*3615*	*3460*	Total Capital ($mill)	*3275*
1633.6	2279.6	2406.7	2480.3	3313.9	3665.1	3654.9	3412.0	3180.6	2752.7	*2890*	*3030*	Net Plant ($mill)	*3450*
7.3%	5.9%	6.1%	7.2%	6.7%	6.3%	5.7%	7.1%	NMF	NMF	*NMF*	*Nil*	Return on Total Cap'l	*3.0%*
10.1%	8.1%	8.6%	10.3%	9.1%	9.4%	9.9%	9.1%	NMF	NMF	*NMF*	*NMF*	Return on Shr. Equity	*NMF*
10.1%	9.0%	8.5%	10.4%	9.1%	10.5%	9.9%	9.1%	NMF	NMF	*NMF*	*NMF*	Return on Com Equity E	*NMF*
1.9%	.8%	1.2%	2.3%	2.6%	3.2%	3.7%	3.8%	NMF	NMF	*NMF*	*NMF*	Retained to Com Eq	*NMF*
82%	92%	87%	79%	74%	72%	63%	58%	NMF	NMF	*NMF*	*NMF*	All Div'ds to Net Prof	*NMF*

CAPITAL STRUCTURE as of 6/30/04
Total Debt $2628.7 mill. **Due in 5 Yrs** $991.9 mill.
LT Debt $2207.0 mill. **LT Interest** $213.0 mill.

(Interest not earned.)
Leases, Uncapitalized Annual rentals $27.4 mill.

Pension Assets-12/03 $288.4 mill. **Oblig.** $330.4 mill.

Pfd Stock None
Common Stock 195,689,185 shs.
as of 7/29/04
MARKET CAP: $600 million (Small Cap)

ELECTRIC OPERATING STATISTICS

	2001	2002	2003
% Change Retail Sales (KWH)	+22.6	+.7	+1.9
Avg. Indust. Use (MWH)	5035	5314	5563
Avg. Indust. Revs. per KWH (¢)	4.18	4.09	4.40
Capacity at Peak (Mw)	NA	NA	NA
Peak Load, Summer (Mw)	2541	2639	2799
Annual Load Factor (%)	NA	NA	NA
% Change Customers (yr-end)	+5.5	+1.6	+1.8
Fixed Charge Cov. (%)	191	NMF	NMF

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '01-'03 to '07-'09
Revenues	18.0%	4.0%	*-41.0%*
"Cash Flow"	--	--	*-13.0%*
Earnings	--	--	*NMF*
Dividends	-4.5%	-11.0%	*NMF*
Book Value	-.5%	-3.5%	*-17.0%*

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2001	11980	10441	9316	8640	40377
2002	767.4	656.0	542.4	411.3	2377.1
2003	522.8	367.4	322.0	461.8	1674.0
2004	553.2	335.3	*335*	*476.5*	*1700*
2005	*600*	*350*	*350*	*500*	*1800*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2001	.69	.71	.58	.05	2.01
2002	.32	d.06	d.79	d1.43	d2.35
2003	d.33	d.21	d.36	d.19	d1.09
2004	d.32	d.38	*d.10*	*d.10*	*d.90*
2005	*d.09*	*d.08*	*d.07*	*d.06*	*d.30*

Cal-endar	QUARTERLY DIVIDENDS PAID B Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2000	.30	.30	.30	.30	1.20
2001	.30	.30	.30	.30	1.20
2002	.30	.30	.175	--	.78
2003	--	--	--	--	--
2004	--	--	--		

BUSINESS: Aquila, Inc. (formerly UtiliCorp United) provides regulated & nonregulated electric generation and transportation/distribution of electricity & gas. Began discontinuing energy trading and marketing in '02. Electric & gas service areas incl. MO, KS, MN, IA, CO, NE, MI, & British Columbia. Customers: 449,000 electric, 893,000 gas. Electric rev. breakdown, '03: residential, 42%; commercial, 29%; industrial, 16%; other, 13%. Generating sources, '03: coal, 33%; oil & gas, 27%; purchased, 40%. '03 reported deprec. rates: electric, 3.1%; gas, 3.0%. Has 3,200 employees, 112,000 com. stockholders. Chairman, Pres. & CEO: Richard C. Green, Jr. Inc.: DE. Address: 20 West Ninth St., P.O. Box 13287, Kansas City, MO 64199-3287. Tel.: 816-421-6600. Internet: www.aquila.com.

Aquila has reached agreements with two insurors to terminate most of its prepaid gas-supply contracts. The company will pay Chubb $485 million in support of the surety bonds for two contracts, thereby settling litigation between the two companies, and will pay St. Paul $225 million in support of two other pacts. The four contracts represent 92% of Aquila's prepaid gas obligations. These transactions come at a steep price, but they will eliminate a big uncertainty that Aquila had been facing and reduce the losses of the company's merchant-energy operation.

Aquila sold some securities in the third quarter. It issued 46 million common shares at $2.55 each and sold $345 million of debt that will convert to common in 2007. The dilutive effect of these issuances caused the stock price to fall below $3 for a while; it had been trading between $3 and $5 for nearly 12 months. On the plus side, the issuances provided Aquila with some much-needed liquidity after it made the aforementioned payments to the insurers. Finally, the company also issued $220 million of debt to help retire a $430 million term loan that was due in 2006.

The bottom line remains in the red. Even after the termination of most of Aquila's prepaid gas contracts, its merchant-energy division will probably still post a hefty operating loss in 2005, which Aquila estimates will amount to $60 million-$70 million. This loss, plus over $200 million in interest expense, will far outweigh the profit of $190 million-$200 million that is achievable in the regulated utility operations.

Some regulatory matters are pending. The most important one is in Missouri, where high gas prices and the absence of a fuel-adjustment clause are hurting the utility. So, Aquila has asked the commission for permission to defer its unrecovered gas costs until it can recoup them in rates. The utility expects a ruling by year-end and plans to file a general rate case next May. Also, a $19.2 million electric rate application is pending in Kansas.

We advise investors to bypass this untimely stock. It's true that Aquila's financial picture is looking a little better, but finances are still subpar, and the bottom line will remain weak even to 2007-2009.

Paul E. Debbas, CFA *October 1, 2004*

(A) Diluted EPS. Excl. nonrecurring gains (losses): '00, 30¢; '01, 41¢ net; '02, ($8.44) net; '03, (71¢); '04, (5¢) net; gains (loss) on discontinued operations: '02, ($2.04); '03, 6¢; '04, 29¢. '01 & '02 EPS don't add due to changes in shares outstanding. Next earnings report due early Nov. (B) Div'd suspended 11/02. (C) Incl. deferred charges. In '03: $1.96/sh. (D) In mill., adj. for split. (E) Rate base: Fair value. Rate allowed on com. eq. in MO in '98 (elec.): 10.75%; earned on avg. com. eq., '03: NMF. Regulatory Climate: Average.

Company's Financial Strength	C
Stock's Price Stability	25
Price Growth Persistence	15
Earnings Predictability	10

JRW-13

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AQUILA INC ILA (NYSE)

Aquila Inc. is an international energy and risk management company. It is one of the largest wholesalers of electricity and natural gas in North America, provides wholesale energy services in the United Kingdom and has a presence in Germany and Scandinavia. It also operates electricity and natural gas distribution networks in seven states and in Canada, New Zealand and Australia.

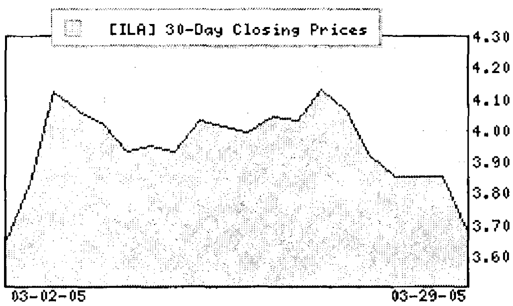
General Information

AQUILA INC
20 West Ninth Street
Kansas City, MO 64105
Phone: 816 421-6600
Fax: 816 467-3395
Web: www.aquila.com
Email: InvestorRelations@aquila.com

Industry	UTIL-ELEC PWR
Sector:	Utilities
Fiscal Year End	December
Last Reported Quarter	12/31/04
Next EPS Date	05/11/2005

Price and Volume Information

Zacks Rank	3
Yesterday's Close	3.85
52 Week High	4.75
52 Week Low	2.34
Beta	0.53
20 Day Moving Average	1,835,585
Target Price Consensus	3.83



% Price Change

4 Week	8.45
12 Week	4.34
YTD	4.34

% Price Change Relative to S&P 500

4 Week	12.15
12 Week	7.94
YTD	7.94

Share Information

Shares Outstanding (millions)	241.77
Market Capitalization (millions)	930.82
Short Interest (shares)	17,114,742
Short Ratio	19.06
Last Split Date	03/15/1999

Dividend Information

Dividend Yield	0.00%
Annual Dividend	$0.00
Payout Ratio	0.00
Change in Payout Ratio	0.00
Last Dividend Payout / Amount	NA / $0.00

EPS Information

Current Quarter EPS Consensus Estimate	-0.12
Current Year EPS Consensus Estimate	-0.30
Estimated Long-Term EPS Growth Rate	-
Next EPS Report Date	05/11/2005

Consensus Recommendations

Current (1=Strong Buy, 5=Strong Sell)	3.00
30 Days Ago	3.67
60 Days Ago	3.67
90 Days Ago	3.67

Fundamental Ratios

P/E		EPS Growth		Sales Growth	
Current FY Estimate:	-	vs. Previous Year	100.00%	vs. Previous Year	8.29%
Trailing 12 Months:	-	vs. Previous Quarter	100.00%	vs. Previous Quarter:	55.12%
PEG Ratio	-				
Price Ratios		**ROE**		**ROA**	
Price/Book	0.82	12/31/04	-17.88	12/31/04	-3.63
Price/Cash Flow	-	09/30/04	-19.52	09/30/04	-3.69
Price / Sales	0.54	06/30/04	-14.16	06/30/04	-2.54
Current Ratio		**Quick Ratio**		**Operating Margin**	
12/31/04	1.81	12/31/04	1.63	12/31/04	-12.71
09/30/04	1.57	09/30/04	1.42	09/30/04	-14.86
06/30/04	1.71	06/30/04	1.64	06/30/04	-11.13
Net Margin		**Pre-Tax Margin**		**Book Value**	
12/31/04	-32.88	12/31/04	-32.88	12/31/04	4.68
09/30/04	-30.41	09/30/04	-30.41	09/30/04	5.17
06/30/04	-30.33	06/30/04	-30.33	06/30/04	6.25
Inventory Turnover		**Debt-to-Equity**		**Debt to Captial**	
12/31/04	9.06	12/31/04	2.06	12/31/04	67.33
09/30/04	8.45	09/30/04	1.75	09/30/04	63.58
06/30/04	8.63	06/30/04	1.81	06/30/04	64.36

CERTIFICATE OF SERVICE

02-UTCG-701-GIG

I, the undersigned, hereby certify that a true and correct copy of the above and foregoing docket was placed in the United States mail, postage prepaid, or hand-delivered this 30th day of March, 2005, to the following:

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