March 28, 2005

Mr. Jonathan G. Katz
Secretary
U.S. Securities and Exchange Commission
450 Fifth Street, NW
Washington, DC 20549

Re: File Number 4-497; Experiences with implementing the requirements of Section 404 of the Sarbanes-Oxley Act of 2002.

Dear Mr. Katz

Aquila Inc. is a multi-state gas and electric utility headquartered in Kansas City, MO with properties in seven states. Annual revenues approximate $1.8B and we employee over 3200 individuals within our various states. The following comments and observations are being submitted for your consideration. These observations were the result of a culmination of over 20 plus months of highly focused work and concentration by our company on the Sarbanes-Oxley 404 process.

The Auditor's evaluation and opinion on management's assessment of internal control should be more clearly defined.
The auditor takes significant leeway to make detailed, checklist, non-valued oriented evaluations and observations which result in recommendations to management that have no inherent quality or value outcome. The overall result is significant time and attention requirements by both management and the auditor that have no incremental benefit to the shareholders.

The Sarbanes-Oxley Act is to provide "reasonable" not "absolute" assurance to investors that the registrants have effective internal control over financial reporting. Management must maintain and evaluate its own system of internal control. If it is deemed critical to require the auditor to evaluate management's process for arriving at their assessment, then more specific guidance should be developed regarding the level of review that should be done by the auditor to assess this area. Without guidance, the auditor has developed time consuming, detailed reviews of every aspect of management's assessment process that, in the end, are reaching for that absolute measurement rather than reasonable.

Standards should provide more effective guidance regarding the requirements for Control Environment evaluation and testing.
It is unclear what evaluations should be done at the corporate level as well as the individual process levels. Also, testing and roll-forward requirements are left to the broad interpretation of the auditor.

The Act gives clear indications of the requirements for "tone at the top", yet interpretations of the auditors have taken this concept to a level that often requires evaluation of the soft control issues all the way down to the individual process areas. The PCAOB and SEC positions have lost sight of the rational behind Sarbanes-Oxley, which is to prevent fraud and provide reasonable assurance that material information has been provided to investors. The auditors have interpreted the act to include detailed evaluations at multiple levels of the organization, again reaching for that absolute assurance. These additional requirements compound the already significant levels of documentation, evaluation and testing that must be done and do not balance the requirements of reasonable vs. absolute.

Standards should clarify guidance requirements for management's documentation, testing and evaluation of internal controls under Section 404.
Aspects of significant account analysis have been taken to the extreme by the auditors requiring multiple levels of duplicative documentation and ongoing testing. As a result, management has spent time focusing on the minutia of the process rather than developing an approach to understand whether the controls are working well to provide "reasonable" assurance for material aspects of financial reporting.

As the external auditors are given sole authority for evaluating management's assessment process, the more detailed their individual firm's interpretation of the requirements for documentation and testing by management, the more significant their positions on developing detailed review and observation comments based on their own interpretation of "liability" in the end to the firm. This results in massive efforts of documentation and re-documentation by management as well as increasing external fees and internal costs. Again, the balance regarding value to the investor does not appear to exist.

Standards should specify clear and reasonable guidance on the terms "more than a remote likelihood" as well as "material weakness" and "significant deficiency".

The lack of clear guidance on the above terminology contributes to the resulting analysis of aggregation of deficiencies. Due to the current low thresholds adopted by the auditors, massive effort is required to track and evaluate minor deficiencies to ensure they do not aggregate to something that could be deemed more significant. In actuality, the thresholds currently being applied are so low that it would take massive deficiencies to even reach a potential aggregation to significant in the investor public's mind. This effort further dilutes the overall opinion on the effectiveness of management's internal controls for financial reporting.

The auditors should be allowed to place significant reliance on the work of qualified internal audit departments on testing and control evaluation.
The current process of management's evaluation, the internal auditor's evaluation and the auditor's evaluation results in duplicative, time consuming work that does not result in any significantly higher level of assurance for the investor public.

A qualified internal audit department that has developed a strong methodology and process for evaluating management's internal control over financial reporting and performing sufficient testing processes should allow the external auditors to place reliance on control testing evaluations which would result in a more effective level of analysis and cost compliance.

While the items noted above primarily represent the opinions and observations of our company, we have had the opportunity to significantly network with organizations throughout our industry as well as major organizations within our regional area and, in our opinion, have found that many have experienced similar challenges as they work towards compliance with Sarbanes-Oxley.

Thank you for the opportunity to provide this feedback.

Sincerely,

Lynn Fountain
Vice-President Risk Assessment & Audit Services
Aquila Inc.
20 W. 9th

Kansas City, MO   64105