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STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

TRANSCRIPT OF PROCEEDINGS

Stipulation Hearing

June 8, 2009
Jefferson City, Missouri
Volume 12

In the Matter of the Application)
of KCP&L Greater Missouri)
Operations Company for Approval to) Case No. ER-2009-0090
Make Certain Changes in its)
Charges for Electric Service)

In the Matter of the Application)
of KCP&L Greater Missouri)
Operations Company for Approval to) Case No. HR-2009-0092
Make Certain Changes in its)
Charges for Steam Heating Service)

NANCY M. DIPPELL, Presiding,
DEPUTY CHIEF REGULATORY LAW JUDGE.

ROBERT M. CLAYTON III, Chairman,
JEFF DAVIS,
KEVIN GUNN,
COMMISSIONERS.

REPORTED BY:

KELLENE K. FEDDERSEN, CSR, RPR, CCR
MIDWEST LITIGATION SERVICES

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4 (573)751-3234

5 FOR: Staff of the Missouri Public
6 Service Commission.

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1 P R O C E E D I N G S

2 JUDGE DIPPELL: Good morning. We are here
3 today in Case Nos. ER-2009-0090 and HR-2009-0092. That's
4 in the matter of the application of KCP&L Greater Missouri
5 Operations Company for approval to make certain changes in
6 its charges for electric service and in its charges for
7 steam heating service. We set this time for hearing or
8 presentation on the Stipulation & Agreements that have
9 been reached in these cases.

10 My name is Nancy Dippell. I'm the
11 Regulatory Law Judge assigned to these matters, and we're
12 going to begin with entries of appearance. We've set
13 today's proceeding jointly just for convenience sake, so
14 if you have specific issues with one case or the other,
15 we'll need to make those known. Anyway, let's go ahead
16 and get entries of appearance, and I'll begin with Kansas
17 City -- or KCPL GMO.

18 MR. FISCHER: Yes. Thank you, your Honor.
19 On behalf of the company, let the record reflect the
20 appearance of James M. Fischer and Curtis Blanc. Our
21 addresses and telephone numbers are on the written entries
22 of appearance.

23 JUDGE DIPPELL: Thank you. Staff.

24 MR. WILLIAMS: Nathan Williams and Steven
25 Dottheim, P.O. Box 360, Jefferson City, Missouri 65102.

1 JUDGE DIPPELL: City of Kansas City?

2 MR. COMLEY: Mark W. Comley, Newman,
3 Comley & Ruth, 601 Monroe, Suite 301, Jefferson City,
4 Missouri on behalf of the City of Kansas City.

5 JUDGE DIPPELL: Missouri Department of
6 Natural Resources.

7 MS. WOODS: Shelley Woods, Assistant
8 Attorney General, Post Office Box 899, Jefferson City,
9 Missouri 65102, appearing on behalf of the Missouri
10 Department of Natural Resources.

11 JUDGE DIPPELL: Office of the Public
12 Counsel.

13 MR. MILLS: On behalf of the Office of the
14 Public Counsel and the public, my name is Lewis Mills. My
15 address is Post Office Box 2230, Jefferson City, Missouri
16 65102.

17 JUDGE DIPPELL: Dogwood Energy.

18 MR. LUMLEY: Good morning. Appearing on
19 behalf of Dogwood Energy, Carl J. Lumley, information on
20 file, only in the 0090 case.

21 JUDGE DIPPELL: Thank you. Union Electric
22 Company.

23 MR. LOWERY: Good morning. On behalf of
24 Union Electric Company, James B. Lowery, Smith Lewis, LLP,
25 111 South Ninth Street, Columbia, Missouri 65201, only in

1 the 0089 case.

2 JUDGE DIPPELL: We're not hearing 89 at
3 this time.

4 MR. LOWERY: I apologize. I'll make the
5 entry when we do hear that one.

6 JUDGE DIPPELL: I'm sorry. I had you down
7 as being in this matter, but --

8 MR. LOWERY: Actually, your Honor, I
9 apologize.

10 JUDGE DIPPELL: In the 90 case?

11 MR. LOWERY: That is correct. We are
12 actually in both cases. Thank you.

13 JUDGE DIPPELL: Federal Executive Agencies.

14 MS. McNEILL: Good morning, ma'am. Captain
15 Shayla McNeill on behalf Whiteman Air Force and the
16 Federal Executive Agencies, 123 Bartley Street, Suite 1,
17 Tyndall Air Force Base in Florida, in the 0090 case.

18 JUDGE DIPPELL: And the hospital
19 intervenors.

20 (No response.)

21 JUDGE DIPPELL: Don't see anyone with them
22 this morning.

23 Ag Processing, Wal-Mart and the Sedalia
24 Industrial Energy Users.

25 MR. CONRAD: Your Honor, in the 0092 case,

1 Stuart W. Conrad and David Woodsmall for Ag Processing
2 there. That's the formal intervenor. On the 0090 case,
3 we have the other parties mentioned, including a group in
4 St. Joseph which also includes Ag Processing. So I
5 think -- I think the record there will stand and clarify
6 that as necessary. We have submitted in writing the text
7 and details for the appearance.

8 JUDGE DIPPELL: Thank you. And for the
9 unions.

10 (No response.)

11 JUDGE DIPPELL: I don't see anyone. Is
12 there anyone else that I overlooked?

13 All right. What we're going to do this
14 morning is give you an opportunity to present the
15 Stipulations & Agreements in these cases and let the
16 Commissioners have a chance to ask any questions. I'm
17 assuming that you-all have -- that some of the onlookers
18 in the audience are also available to answer questions if
19 they're needed.

20 And also we would need to address, there's
21 a pending motion for an extension on the requirement that
22 Staff file its audit, and I think we will address that
23 toward the end. We'll address that toward the end of the
24 presentation here today.

25 So I think what we'll do to begin with, is

1 if I could ask either the company or Staff to begin by
2 giving us a little overview of the stipulation. Thank
3 you, Mr. Fischer.

4 MR. CONRAD: Your Honor, not to interrupt,
5 but was it your intention to take these separately or
6 together?

7 JUDGE DIPPELL: It was my intention to deal
8 with them together where that's appropriate and separately
9 if there are specific. I realize the stipulations are
10 very different in the two cases. So I guess let me start
11 with -- with the 90 case, and then if you would also like
12 to give a brief overview of the steam case as well.

13 MR. FISCHER: Okay. Be happy to do it any
14 way you like, Judge. We're very pleased to be here with
15 stipulations in front of the Commission to hopefully
16 resolve these matters and avoid the need for the hearings
17 that we had scheduled.

18 I really didn't have a presentation, but I
19 would like to answer any questions that you may have. I
20 can go through the various paragraphs if you'd like or I
21 can identify the major areas and -- or just answer your
22 questions if that would be more efficient.

23 Obviously there are different revenue
24 requirements in the different cases and we have different
25 agreements. In the GMO case, we have agreed on the MPS

1 area that there would be a \$48 million rate increase and
2 for the L&P area it would be a \$15 million increase. The
3 rate design would be on an equal percentage basis in those
4 two cases, and we've agreed that there would be a cost of
5 service study filed for GMO by June 30, 2010.

6 In none of the cases will there be a
7 vegetation tracker. We will be filing another rate case
8 associated with the completion of Iatan 2 in the
9 relatively near future, so the vegetation tracker is not
10 as important at this time for these companies.

11 We addressed prudence and in-service timing
12 on Iatan 1, and in one of the paragraphs we talked about
13 the common plant for Iatan 1 and 2.

14 We talk about -- I get these confused. In
15 the KCPL case we addressed amortization. This will be the
16 last amortization that will be reflected as a result of
17 the regulatory plan, and we have agreed on a total amount
18 of the amortization of \$42.4 million. We've agreed to
19 some revisions on how we'll treat surveillance reporting.

20 We've also got a paragraph that addresses
21 the treatment of the Economic Relief Pilot Program and
22 Wolf Creek refueling costs, the Surface Transportation
23 Board litigation and off-system sales.

24 JUDGE DIPPELL: Those are also in the other
25 case?

1 MR. FISCHER: Yes. They're primarily --
2 the off-system tracker is, for example, in the KCPL case.

3 JUDGE DIPPELL: We'll address the 89 at the
4 next hearing.

5 MR. FISCHER: There are also provisions
6 related to the DSM program and the supplemental
7 weatherization minor home repair, low income
8 weatherization programs. Those were added at the request
9 of the Department of Natural Resources and the City of
10 Kansas City.

11 In the GMO case we also have a provision
12 relating to the fact that the company's agreed to do a
13 study to explore all reasonable options to add generating
14 capacity to GMO's system on a going-forward basis and use
15 its best efforts to determine the best terms available for
16 each option. That written report will be done no later
17 than the next GMO rate case.

18 Sibley and Jeffrey, which are a big part of
19 the GMO case, will be permitted into rate base, assuming
20 the in-service criteria is met by May 30, which I
21 understand Staff will testify has been met. There's also
22 some provisions related to other -- the fuel adjustment
23 clause itself and some technical changes that have been
24 made into that cause.

25 But I really -- to the extent that you have

1 questions about areas that we've addressed in the stip, it
2 might be just more efficient for me to try to answer
3 those. I do have the vice president of regulatory, Chris
4 Giles and Tim Rush with me today. They are the technical
5 witnesses that would be available to take the stand and
6 answer questions if you'd like to do it that way.

7 JUDGE DIPPELL: Thank you, Mr. Fischer.
8 Does Staff have some remarks they'd like to make about the
9 provisions of the --

10 MR. WILLIAMS: Just a few. May it please
11 the Commission?

12 As the Commission's aware, this case has
13 been pretty highly contentious. You've seen a lot of
14 pleadings that have flown back and forth, but ultimately
15 the parties were able to reach on a nonunanimous basis
16 that's been unopposed the Stipulation & Agreement that
17 would resolve this case in total.

18 The main drivers in this case have been the
19 addition of air quality control systems at Iatan 1, at
20 Sibley Unit 3 and at Jeffrey Units 1 and 3. The
21 Stipulation & Agreement in the electric case is dependant
22 upon meeting Staff's in-service criteria at Iatan 1.

23 Mike Taylor's here available today to
24 testify that Staff's in-service criteria have, in face,
25 been met for that unit for inclusion of Iatan -- or I'm

1 sorry, for Jeffrey Units 1 and 3 and Sibley Unit 3 in rate
2 base. There is a provision that those need to be fully
3 operational and used for service. Mike Taylor is
4 available to testify that those units have met Staff's
5 in-service criteria, and in Staff's view those are fully
6 operational and used for service.

7 The Commission may have concerns about the
8 South Harper unit. At this point Staff considers that
9 unit to be fully operational and used for service and
10 included in GMO's rate case.

11 In addition to the witnesses that were
12 listed previously, I also have available Mr. Robert
13 Schallenberg and Mr. Thomas Hull should any questions
14 arise that they can address. Other than that, we're
15 available to take questions.

16 JUDGE DIPPELL: All right. Thank you.
17 Would any of the other parties like to address any of the
18 specific issues or items in either of the agreements? I'm
19 not seeing anyone indicating.

20 MR. CONRAD: Judge?

21 JUDGE DIPPELL: Mr. Conrad?

22 MR. CONRAD: I should mention, with respect
23 to the 0092 case, that we have Mr. Johnstone here, and he
24 will be available for questions in that area, but his --
25 his engagement was limited to the 0092 case.

1 JUDGE DIPPELL: Thank you. I don't see any
2 other comments about the agreement, so I will ask the
3 Commissioners then if they have some specific questions
4 that they wanted to address to either the attorneys or the
5 witnesses that they may have brought with them.

6 MR. WILLIAMS: Judge, if I might?

7 JUDGE DIPPELL: Yes, Mr. Williams.

8 MR. WILLIAMS: Would the Commission like
9 for Mr. Taylor to come in and put on evidence to show that
10 the contingency on the agreement has been met first?

11 JUDGE DIPPELL: All right. We can begin
12 there. Let's go ahead and ask Mr. Taylor if he would like
13 to -- ask him to come up. Maybe not ask him if he'd like
14 to.

15 (Witness sworn.)

16 JUDGE DIPPELL: Thank you. If you could
17 give us your name, Mr. Taylor, and -- I'll let your
18 attorney go through the preliminaries, I guess.

19 MICHAEL E. TAYLOR testified as follows:

20 DIRECT EXAMINATION BY MR. WILLIAMS:

21 Q. Would you please state your name for the
22 record.

23 A. Michael E. Taylor.

24 Q. And Mr. Taylor, by whom are you employed
25 and in what capacity?

1 A. Missouri Public Service Commission Staff,
2 as an engineer.

3 Q. And in your capacity, in -- within your
4 capacity as an employee of the Missouri Public Service
5 Commission, did you review Iatan 1 for meeting Staff's
6 in-service criteria?

7 A. Yes, I did.

8 Q. And where would the Commission find the
9 in-service criteria within the record in this case, if you
10 know?

11 A. The in-service criteria for Iatan 1
12 upgrades was filed by Brent Davis, KCPL employee.

13 Q. And was it attached to his prefiled direct
14 testimony as Schedule BCD-2?

15 A. Yes, I believe it was.

16 Q. And has Staff done an evaluation of the
17 in-service criteria for Iatan 1?

18 A. Yes.

19 Q. And has Iatan 1 met Staff's in-service
20 criteria?

21 A. Yes.

22 Q. And did it meet that in-service criteria on
23 or before May 30th of 2009?

24 A. Yes, it did.

25 Q. And did Staff also review Sibley Unit 3 for

1 meeting in-service criteria?

2 A. Yes.

3 Q. And do you know where the Commission would
4 find the Staff's in-service criteria for Sibley Unit 3?

5 A. Sibley Unit 3 in-service criteria was filed
6 by Terry Hedrick, and I believe that was in his direct
7 testimony.

8 Q. Do you know if it was filed as TSH-3,
9 Schedule TSH-3 to his direct testimony?

10 A. I believe that's correct. Let me check.
11 TSH-1.

12 Q. I believe you're correct. It is TSH-1.

13 A. Yes.

14 Q. And has Sibley Unit 3 met Staff's
15 in-service criteria?

16 A. Yes.

17 Q. And did it do so before May 30th of 2009?

18 A. Yes.

19 Q. Did Staff also review Jeffrey Units 1 and 3
20 for meeting Staff's in-service criteria?

21 A. Yes.

22 Q. And have those units met Staff's in-service
23 criteria?

24 A. Yes.

25 Q. And did they do so on or before May 30th of

1 2009?

2 A. Yes.

3 Q. And are those criteria available in the
4 records in this case, to your knowledge?

5 A. Not to my knowledge.

6 MR. WILLIAMS: May I approach?

7 JUDGE DIPPELL: Yes.

8 MR. WILLIAMS: Actually, can I get this
9 marked?

10 JUDGE DIPPELL: We will just mark it as
11 Staff Exhibit 1.

12 (STAFF'S EXHIBIT NO. 1 WAS MARKED FOR
13 IDENTIFICATION BY THE REPORTER.)

14 BY MR. WILLIAMS:

15 Q. I'm handing you what's been marked as Staff
16 Exhibit No. 1.

17 A. All right.

18 Q. Do you recognize what's been marked as
19 Staff's Exhibit No. 1?

20 A. Yes. That's the in-service criteria for
21 Jeffrey Energy Center that was agreed to by Staff.

22 Q. And are -- does Staff's Exhibit No. 1
23 contain the criteria that you used for evaluating the
24 in-service of Jeffrey Center Units 1 and 3?

25 A. Yes, it does.

1 MR. WILLIAMS: I offer Staff's Exhibit 1.

2 JUDGE DIPPELL: Okay. Would there be any
3 objection to Staff's Exhibit No. 1 for the stipulation
4 hearing coming into the record?

5 MR. FISCHER: No objection. No objection,
6 your Honor.

7 JUDGE DIPPELL: Then I will admit that.

8 (STAFF'S EXHIBIT NO. 1 WAS RECEIVED INTO
9 EVIDENCE.)

10 JUDGE DIPPELL: Did you have anything
11 further, Mr. Williams?

12 MR. WILLIAMS: I have nothing further of
13 this witness at this time.

14 JUDGE DIPPELL: All right. Would there be
15 any questions from any of the other parties for
16 Mr. Taylor?

17 (No response.)

18 JUDGE DIPPELL: Seeing none, then. All
19 right. We have some questions from the Bench.
20 Mr. Chairman.

21 CHAIRMAN CLAYTON: Thank you.

22 QUESTIONS BY CHAIRMAN CLAYTON:

23 Q. Mr. Taylor, I'm looking at Exhibit No. 1,
24 Staff's in-service criteria. Generally speaking, is this
25 list of items on this sheet consistent with the in-service

1 criteria Staff has used over the years? Obviously taking
2 into consideration that this relates to SO2 control
3 equipment so there's some specificity related to
4 environmental issues, but are these items consistent with
5 what is used to determine whether any plant is in service
6 and fully operational?

7 A. Yes. This is consistent with what we've
8 used at other facilities for environmental upgrades.

9 Q. Okay. How would such a list differ by type
10 of asset? Would it differ with any great deal? Would the
11 percentages be similar?

12 A. The numbers might change a little bit, but
13 the line items would basically be the same.

14 Q. Okay.

15 A. We typically look at a reduction of a
16 certain emission, and depending on what that is, the
17 numbers may change.

18 Q. Okay. Would this list also be used for
19 determining whether Iatan 2 is in service and fully
20 operational?

21 A. We would use similar criteria for the air
22 quality control systems associated with Iatan 2, but the
23 actual plant itself would have a number of other items
24 that would be looked at.

25 Q. What other items would you -- would you

1 look at, just as a -- just a couple of sample items?

2 A. We basically look to make sure the
3 construction is essentially complete.

4 Q. Which is identical with this?

5 A. Right. We look at the ability of the plant
6 to operate at a certain power level for a certain period
7 of time, and we actually typically look at two different
8 power levels and two different periods of time.

9 Q. Okay.

10 A. One -- one probably relates more directly
11 to what is commonly called capacity factor, and we would
12 look at an extended period of time to determine that for
13 the plant.

14 Q. Okay. Do you know the in-service date for
15 Iatan 2, the planned in-service date?

16 A. Not right off the top of my head, no.

17 CHAIRMAN CLAYTON: I don't have any other
18 questions. Thank you.

19 JUDGE DIPPELL: All right. Commissioner
20 Davis, did you have any questions?

21 COMMISSIONER DAVIS: Yes.

22 QUESTIONS BY CHAIRMAN DAVIS:

23 Q. Good morning, Mr. Taylor.

24 A. Good morning, sir.

25 Q. Mr. Taylor, are you the, quote, coordinator

1 for the construction audits?

2 A. No.

3 Q. Who is the, quote, coordinator for the
4 construction audits?

5 A. Which units, or what unit?

6 Q. I guess let's start with Iatan 1.

7 A. Iatan 1 environmental upgrades would be
8 looked at by members of the auditing staff and the members
9 of the engineering staff. I'm not sure who in the
10 auditing staff. Engineering staff would be David Elliott
11 and Shawn Lange.

12 Q. All right. So then the coordinator comes
13 from the engineering department, does it not?

14 A. I'm not sure whether the actual
15 coordinator, using that title, comes from which
16 department.

17 Q. Okay. So you don't know who the
18 coordinator is for Iatan 1?

19 A. Not in that context, no, sir.

20 Q. Okay. What about Sibley 3?

21 A. Sibley 3, I believe was looked at by
22 basically the same people that I mentioned for Iatan 1.

23 Q. Okay. And who are those people again?
24 David Elliott?

25 A. Shawn Lange. They're from the engineering

1 staff, and then people -- persons from the auditing
2 department, utility services.

3 Q. All right. And that would be the people
4 out of the Kansas City office, correct?

5 A. Could be.

6 Q. Okay. I mean, who are the -- who are the
7 auditing people that you recall?

8 A. The typical people that I've talked with --
9 because we typically do some of the in-service review and
10 the construction audit kind of simultaneously. The people
11 that I've had discussions with, Carey Featherstone and --
12 that's probably the only name that comes to mind right
13 off, but there's others.

14 Q. Okay. What about Jeffrey 1 and Jeffrey 3?

15 A. Same.

16 Q. Okay. So Iatan 1 is up and running with
17 the -- with the AQCS; is that correct?

18 A. Yes.

19 Q. Sibley 3 is up and running?

20 A. Well, let me correct that. I can't speak
21 for this moment in time, but they were.

22 Q. Okay. So they --

23 A. They met the criteria.

24 Q. They met -- they met the criteria prior to
25 May 31st?

1 A. Yes.

2 Q. And that's both Iatan 1 and Sibley 3?

3 A. Yes, sir.

4 Q. And Jeffrey 1 and Jeffrey 3 also met their
5 in-service criteria prior to May 31st --

6 A. Yes, sir.

7 Q. -- 2009?

8 Okay. Mr. Taylor, can you refresh for my
9 recollection, I apologize, what is your role again? What
10 is your job title?

11 A. My job title? Utility Engineering
12 Specialist III.

13 Q. So you're on the engineering side?

14 A. Yes, sir.

15 Q. Okay. And do you report to Dan Beck or
16 Lena Mantle, or do you report to David Elliott, Shawn
17 Lange? Who do you --

18 A. Dan Beck, and then Lena Mantle is the next
19 person up in the chain.

20 COMMISSIONER DAVIS: Okay. Judge, I don't
21 think I have any more questions for Mr. Taylor.

22 JUDGE DIPPELL: Thank you. Commissioner
23 Gunn?

24 COMMISSIONER GUNN: I don't have any
25 questions. Thank you.

1 JUDGE DIPPELL: All right. Are there any
2 questions from any of the parties after the Commission
3 questions? Mr. Fischer?

4 MR. FISCHER: I just had one.

5 QUESTIONS BY MR. FISCHER:

6 Q. Mr. Taylor, do you know if the in-service
7 criteria for Iatan 2 was addressed in the regulatory plan
8 stipulation that the Commission approved in EO-2005-0329?

9 A. Yes. There was an appendix in the
10 regulatory plan which contained in-service criteria for a
11 number of different types of units. One of those types of
12 units was coal plant. So that provided a basis for -- and
13 that was actually used for Hawthorn 5 in a previous rate
14 case, and that's the basis for Iatan 2.

15 MR. FISCHER: Thank you. That's all I had.

16 JUDGE DIPPELL: Thank you. Any other
17 questions? Anything further, Mr. Williams, from you?

18 MR. WILLIAMS: No.

19 JUDGE DIPPELL: Mr. Dottheim, you have
20 something?

21 MR. DOTTHEIM: Yes. Since the questions
22 about the Iatan 1 construction coordinator, since -- I
23 assume -- well, we were going to take up in the context of
24 the ER-2009-0090 case the joint motion to extend the
25 construction audit filing date for the Staff and -- and

1 the company's reply. I can address myself some of the
2 questions or, for example, the question that Commissioner
3 Davis just had. I can do that in the context of when we
4 get to the -- to the joint motion if the Commissioner has
5 some additional questions when we get to the joint motion
6 or I could attempt to address that now.

7 I wanted to make sure that -- that the
8 Commissioner's outstanding questions, that in the context
9 of this proceeding there's an effort to address those
10 questions as opposed to leaving those questions hanging.

11 JUDGE DIPPELL: Commissioner Davis, do you
12 have a preference on addressing that at this time or do
13 you want to --

14 COMMISSIONER DAVIS: I don't have a -- I
15 don't have a preference, Judge.

16 JUDGE DIPPELL: Okay. Well, we'll just go
17 ahead, then, and get through the stipulation part and then
18 address more specifically. Thank you, Mr. Dottheim.

19 MR. DOTTHEIM: Thank you.

20 JUDGE DIPPELL: All right. Then seeing no
21 other questions at this time for Mr. Taylor, I'll let you
22 step down.

23 I would like to ask the parties if we could
24 mark the actual Stipulations & Agreements as exhibits and
25 put them on record. Would there be any objection to that?

1 MR. CONRAD: Are they not already in the
2 file, Judge?

3 JUDGE DIPPELL: I'm sorry?

4 MR. CONRAD: Are they not already on file?

5 JUDGE DIPPELL: They are on file, but since
6 we have now taken some testimony related to those
7 agreements, I thought it would make this hearing record
8 more complete to have them --

9 MR. FISCHER: Judge, we do have a single
10 copy if you'd like to have that marked.

11 JUDGE DIPPELL: Do you see a problem with
12 that, Mr. Conrad?

13 MR. CONRAD: Other than redundancy. I'm
14 not sure if witnesses are identifying the documents, then
15 the documents are already before the Commission in the
16 form of filings and have been acted on thus far, so I'm
17 not sure that putting them in -- I mean, they're legal
18 documents. They're not testimony. They're not sworn in
19 the form of affidavits. So they are what they are. It
20 would seem to me that the marking of them would simply be
21 for identification purposes and not otherwise.

22 JUDGE DIPPELL: Right. Then I think I'll
23 go ahead and mark those, then. I'm going to mark the
24 Nonunanimous Stipulation & Agreement in ER-2009-0090 as
25 the Stipulation Hearing Exhibit No. 2, and I will mark the

1 second agreement in that case, ER-2009-0090, which is the
2 Nonunanimous Agreement Regarding Pensions, as Exhibit
3 No. 3. And I will mark the agreement, the non -- or I'm
4 sorry, the Unanimous Stipulation & Agreement in
5 HR-2009-0092 as Exhibit No. 4 for this hearing.

6 (HEARING EXHIBIT NOS. 2, 3 AND 4 WERE
7 MARKED FOR IDENTIFICATION.)

8 JUDGE DIPPELL: Okay. Commissioners, did
9 you have any additional questions related to the
10 stipulation? Mr. Chairman? Commissioner Gunn?

11 COMMISSIONER GUNN: I just have two quick
12 questions. According to the stip, the MS -- the MPS
13 service area's \$48 million increase and the L&P area is
14 15. Do we have average residential increases? And I'm
15 not looking for something specific. It can be real
16 general. I'm just trying to get a sense of -- because I
17 know the rate design stayed the same and everybody got
18 proportional increases, but I'm just interested to know
19 what the residential increase would be.

20 MR. FISCHER: Judge, are you asking a
21 percentage increase or dollar amount?

22 COMMISSIONER GUNN: Either one is actually
23 fine.

24 MR. FISCHER: The typical impact on
25 residential customer for the MPS area would be a

1 10.46 percent increase, and for the L&P area it would be
2 11.85 percent.

3 COMMISSIONER GUNN: 11.85.

4 MR. FISCHER: Yes. On a dollar basis, in
5 the MPS area it would be approximately 9 point -- \$9.13,
6 and for L&P \$8.58.

7 COMMISSIONER GUNN: Okay. Great.

8 MR. WILLIAMS: Commissioner, Staff agrees
9 with those numbers. They're based on a usage assumption
10 of 700 kilowatt hours per month in the winter and 1200
11 kilowatt hours per month in the summer for a typical
12 residential user.

13 COMMISSIONER GUNN: Office of the Public
14 Counsel have any concerns or questions with that -- with
15 those numbers?

16 MR. MILLS: No. But I -- I don't have any
17 calculations in front of me this morning, but those jive
18 with my memory of having done them, so I think they're
19 accurate.

20 COMMISSIONER GUNN: Okay. Without getting
21 into any actual negotiations, and this may not be an
22 answerable question, on paragraph 5, when we talk -- or
23 section 5, excuse me, down in the audit, it's about
24 halfway down the paragraph, the sentence saying, should
25 the Commission find that GMO respecting any signatories

1 construction under this cause, A, failed to provide
2 material and relevant information which was in GMO's
3 control, custody and possession or which should have been
4 available to GMO through reasonable investigation, B
5 misrepresented facts relevant to charge to Iatan 1 or
6 Iatan common costs, or C, engaging in the obstruction of
7 lawful discovery on -- so on and so forth.

8 Was there a -- is reasonable investigation
9 considered to be a term of art and what is just kind of
10 generally -- generally accepted, or was there any sort of
11 discussion of that term or whether -- was there a -- was
12 there a meeting of the minds on what that -- what that
13 entails? I understand that we have to take the document
14 the way it's written, so I'm not asking if -- what that
15 may have been. I'm merely asking how -- how this -- this
16 term is being used in the document.

17 MR. DOTTHEIM: The Staff believes it always
18 proceeds in a manner of a reasonable investigation. I
19 frankly don't know how to answer your question any
20 differently than that.

21 COMMISSIONER GUNN: And that's perfectly
22 acceptable, because there was no really extra discussion
23 about this term. It was put in as standard almost
24 boilerplate language?

25 MR. DOTTHEIM: There was discussion of this

1 term as part of the settlement, but again, that would be
2 going into the settlement discussion.

3 COMMISSIONER GUNN: I understand.

4 MR. MILLS: If I may, Commissioner? From
5 Public Counsel's perspective, what this -- what this
6 provision is designed to do is to prevent KCPL GMO from
7 saying, oh, we just didn't have that information, that
8 they can't sort of take the ostrich with the head in the
9 sand kind of attitude and say, we didn't have it. If they
10 should have had it, then -- then this provision kicks in.

11 They can't simply say, we didn't get it, we
12 didn't look for it. They have to -- they have to not only
13 provide information that they have, but information that
14 they should reasonably have had if they were operating in
15 a reasonable manner.

16 But it's not a term of art. I don't know
17 that there has been, to my knowledge, cases specifically
18 interpreting the exact parameters of what that means.

19 MR. WILLIAMS: Commissioner, it's just one
20 of a number of provisions that deal with whenever the cap
21 would no longer be in place, and that cap, of course, is
22 on a Missouri jurisdictional basis, on an ownership basis.
23 And if you're looking at the share of Iatan that GMO has,
24 it's 18 percent. So that cap's not as low as it might
25 appear at first, project basis.

1 COMMISSIONER GUNN: I'm not as concerned as
2 the substance as getting into fights later on down the
3 line as we've seen some other places. I don't have any
4 other further questions. Thank you.

5 JUDGE DIPPELL: Commissioner Davis, did you
6 have any additional questions?

7 MR. DOTTHEIM: Commissioner Gunn? Language
8 such as you find in a Stipulation & Agreement are efforts
9 to try to prevent fights later on. They may be
10 successful. They may not be successful. The -- only time
11 will tell.

12 COMMISSIONER GUNN: No truer words have
13 been spoken. Thank you.

14 COMMISSIONER DAVIS: Okay. I guess -- I
15 guess first question, what -- I mean, can someone describe
16 to me what exactly -- I know it's a legacy issue, but what
17 is the Crossroads generating facility in Mississippi? I
18 mean, that's -- I know that's a plant that's down there
19 that's owned by -- by GMO, but I don't know anything about
20 the size or anything else.

21 MR. WILLIAMS: My understanding, it's a
22 4 CT plant down in Mississippi, each of which of the CTs
23 is approximately 75 megawatts. So you're talking about
24 roughly 300 megawatts. And it was my understanding it was
25 constructed back when Aquila was looking at getting into

1 the nonregulated business. So it's legacy from that
2 standpoint, and I believe the company's transferred it on
3 its books to reflect it as being part of its regulated
4 operations currently.

5 COMMISSIONER DAVIS: Okay. Now, was that
6 an issue for you, Mr. -- is that an issue for you,
7 Mr. Conrad, or --

8 MR. WOODSMALL: I wouldn't say it's an
9 issue specific to us. It was an issue in the case which
10 we took an interest in as well.

11 COMMISSIONER DAVIS: Okay. And does that
12 plant have transmission lines that connect it to MISO or
13 SPP?

14 MR. WILLIAMS: My understanding, and it
15 runs through SPP from Mississippi up through to provide
16 electricity up into GMO's service area.

17 COMMISSIONER DAVIS: Okay. Mr. Fischer,
18 there were -- in your opening remarks, you referenced a
19 report, and I believe that reference is found in numbered
20 paragraph 8 of the Stip & Agreement?

21 MR. FISCHER: Yes, sir.

22 COMMISSIONER DAVIS: How does that report
23 differ from an IRP filing or what is -- what is the
24 significance? What are we supposed to gain from that? I
25 guess that's for everybody.

1 MR. FISCHER: This was an agreement that
2 the company entered into to resolve a number of the issues
3 relating to capacity. I think the report would -- I would
4 not characterize it as an IRP, full-blown type IRP written
5 report. It will address some similar issues as obviously
6 you're pointing out in terms of what is a reasonable least
7 cost option, what should the company be doing going
8 forward, but we will still have the IRP filings that we
9 would typically have. This would be done, though, by the
10 next rate case, the next GMO case.

11 MR. LUMLEY: Commissioner, if I could
12 respond as well? Carl Lumley representing Dogwood Energy.
13 This was an issue of particular interest to my client in
14 this case, both as a payer of rates, it obtains
15 electricity from GMO to operate its plant which is located
16 in the service area, but also as a potential supplier of
17 capacity to GMO and wanting to make certain that since GMO
18 operates on a monopoly basis, that our plant is considered
19 fairly with other options, not for any preferential
20 treatment but just considered fairly for other options.

21 And also I'm certainly not an expert on the
22 transmission aspect, but it was my understanding that
23 there are open questions about whether there is adequate
24 transmission from Mississippi plant to the service area,
25 and I think that would probably be addressed in this

1 report.

2 COMMISSIONER DAVIS: Okay. All right.

3 Thank you, Mr. Lumley.

4 Mr. Fischer, can you go into a little bit
5 greater detail about what the Economic Relief Pilot
6 Program is?

7 MR. FISCHER: It's laid out in quite a bit
8 of detail in the testimony of Allen Dennis. It's
9 basically -- we are agreeing as a part of this program
10 that the -- that the company's going to defer 50 percent
11 of the cost of the Economic Relief Program as a regulatory
12 asset until the next -- next rate case, and at that time
13 the cost will be reviewed and determined whether they'll
14 be recovered or not.

15 And the Staff raised some concerns in their
16 testimony. We've agreed to try to address those current
17 concerns as a part of the settlement. But I think the
18 details of that program are probably summarized and best
19 place would be to look at Allen Dennis.

20 COMMISSIONER DAVIS: Okay. Now, sort of in
21 keeping with that, I think it's numbered paragraph 14A,
22 the parties all agree to defer DSM costs after the
23 effective date of the Report and Order in the next general
24 rate case in the same manner; is that correct? That's not
25 this case, that's the next case?

1 MR. FISCHER: I think you're referring to
2 additional -- the sentence that says additional DSM
3 program costs incurred after the effective date of the
4 final Report and Order in GMO's next general electric rate
5 case proceeding following this case will be treated in the
6 same manner but will be referred in a different subaccount
7 by vintage.

8 COMMISSIONER DAVIS: Uh-huh. That's
9 correct. That's where I'm at.

10 MR. FISCHER: Yeah. That's my
11 understanding what we're talking about there.

12 COMMISSIONER DAVIS: Mr. Fischer, what if
13 the Commission orders -- orders something different in the
14 next rate case?

15 MR. FISCHER: I think obviously the
16 Commission has the ability and the -- the -- to do so.

17 COMMISSIONER DAVIS: Okay. I'm not sure
18 who gets this question. Schedule 4 to the 0090
19 stipulation, that is going to be the, quote, starting
20 point for the next rate case, correct?

21 MR. FISCHER: Yes.

22 COMMISSIONER DAVIS: And forgive my
23 ignorance here, but my knowledge of accounting is somewhat
24 weak in certain areas. I know there's only one month
25 difference on that Schedule 4, but there is no change in

1 the AFUDC amount from 4/30 to 5/31. Why is that? I'm
2 sure there's probably a simple explanation. I just don't
3 know it.

4 MR. FISCHER: Yes, Commissioner. The AFUDC
5 rate under their accounting principles closes at the time
6 it goes into -- is booked to plant in service, and that
7 happened prior to 4/30/2009. So, therefore, there's no
8 additional AFUDC rate for the next month.

9 COMMISSIONER DAVIS: Okay. All right.
10 Going back to rate design, every class and every customer
11 pays the same proportionate rate increase, do they not?

12 MR. FISCHER: Yes, sir.

13 COMMISSIONER DAVIS: Are there any special
14 contracts that would exempt any customers from paying
15 these rates?

16 MR. FISCHER: Today?

17 COMMISSIONER DAVIS: Today. Today.

18 MR. FISCHER: No, sir.

19 COMMISSIONER DAVIS: No, sir. Okay. Going
20 back to Commissioner Gunn's question, and Mr. Dottheim, in
21 numbered paragraph 5, the parties indicate that any
22 proposed rate base disallowance with respect to Iatan 1 is
23 limited to \$15 million subject to the -- subject to the
24 provisions, correct?

25 MR. DOTTHEIM: Yes.

1 COMMISSIONER DAVIS: Now, the way I read
2 this, correct me if I'm wrong, but nonsignatories -- a
3 nonutility signatory is not bound to propose a
4 disallowance no greater than 15 million. So it would be a
5 nonutility signatory can propose disallowances greater
6 than 15 million if the Commission finds A, B or C; is that
7 correct? And Staff, Office of the Public Counsel, anyone
8 else here but KCP&L is a nonutility signatory; is that
9 correct?

10 MR. MILLS: Yes, that's correct.

11 MR. DOTTHEIM: Yes.

12 MR. MILLS: Both of those are correct.

13 MR. DOTTHEIM: Yes, and I -- Commissioner,
14 I thought you were going to be asking, of course, that a
15 non -- well, a nonsignatory, of course, is not bound by --

16 CHAIRMAN DAVIS: Right.

17 MR. DOTTHEIM: -- paragraph 5.

18 COMMISSIONER DAVIS: Right.

19 MR. DOTTHEIM: And, of course, the
20 Commission itself, as the provisions of the Stipulation &
21 Agreement indicate, this is -- this is not a contract with
22 the Commission. This is an agreement among the signatory
23 parties, but not a contract with the Commission.

24 COMMISSIONER DAVIS: So it's contemplated
25 that -- I mean, basically this all would happen in the

1 next rate case, then, if someone would make the argument
2 that either A, B or C, and then say I want to disallow
3 more than \$15 million worth of allowances for Iatan 1?

4 MR. DOTTHEIM: Yes, and that would be
5 before the Commission for determination.

6 COMMISSIONER DAVIS: Now, the first line on
7 page 6 references a 10.2 percent ROE for carrying costs
8 related to the air quality control system, and then
9 numbered paragraph 7 on that same page references
10 10.2 percent as the ROE for AFUDC; is that correct?

11 MR. DOTTHEIM: Yes.

12 COMMISSIONER DAVIS: So can we assume that
13 that's the ROE for KCP&L GMO in this case?

14 MR. DOTTHEIM: No.

15 COMMISSIONER DAVIS: No?

16 MR. MILLS: No.

17 COMMISSIONER DAVIS: It's just a black box
18 settlement?

19 MR. MILLS: Correct.

20 MR. DOTTHEIM: Yes.

21 MR. WOODSMALL: That number was taken -- it
22 just continues on the AFUDC rate from the last authorized
23 ROE that the Commission had in the last case.

24 MR. DOTTHEIM: Yeah.

25 COMMISSIONER DAVIS: Thank you,

1 Mr. Woodsmall. That's helpful.

2 MR. DOTTHEIM: In fact, and I don't know,
3 the -- the AFUDC rate in the Stipulation & Agreement for
4 the KCPL case is my -- if my memory serves me correctly,
5 is 8.25 percent.

6 COMMISSIONER DAVIS: Okay. All right. So
7 to sum this all up, GMO, the MoPub territory gets
8 \$48 million, and that's all cash? There are no
9 amortizations, correct? And then GMO L&P gets
10 approximately \$15 million, correct?

11 MR. DOTTHEIM: Yes. The additional
12 amortizations was only part of a Stipulation & Agreement.

13 COMMISSIONER DAVIS: With KCP&L?

14 MR. DOTTHEIM: And with Empire because of
15 the Empire regulatory plan and the KCPL regulatory plan.
16 There is no regulatory plan of such nature with Aquila
17 that was negotiated.

18 COMMISSIONER DAVIS: All right. And then,
19 Mr. Fischer, KCP&L originally requested, what was it,
20 66 million and 17.1 million respectively?

21 MR. FISCHER: Yes, sir.

22 COMMISSIONER DAVIS: And that's for --

23 MR. FISCHER: GMO did.

24 COMMISSIONER DAVIS: GMO for MoPub was
25 66 million and L&P was 17.1?

1 MR. FISCHER: That's correct.

2 COMMISSIONER DAVIS: And then in the
3 reconciliation, GMO MoPub's request was reduced to
4 approximately 58 million?

5 MR. FISCHER: I don't have that in front of
6 me, but that's close to my recollection, yes.

7 COMMISSIONER DAVIS: And then the GMO L&P
8 recommendation actually went up to 22 million, is that --

9 MR. FISCHER: Yes, sir.

10 COMMISSIONER DAVIS: Mr. Dottheim, who put
11 together the reconciliation for Staff?

12 MR. DOTTHEIM: Mr. Featherstone I believe
13 in particular. He had assistance, or he might identify
14 others, but offhand, I think it was Mr. Featherstone.

15 COMMISSIONER DAVIS: Okay. Is -- he's back
16 here. I saw him here this morning.

17 MR. DOTTHEIM: Yes.

18 MR. FISCHER: Judge, if I could address
19 that? I think in both the KCPL case and in the L&P area,
20 the fact the company's expert on rate of return reviewed
21 the more current information and his recommendation went
22 up and also the off-system sales issue impacted the
23 company's case in those areas.

24 COMMISSIONER DAVIS: Okay. Is
25 Mr. Featherstone here? Can we bring him up for a second?

1 JUDGE DIPPELL: Is Mr. Featherstone here?

2 There he is.

3 MR. DOTTHEIM: He'd be delighted to take
4 the witness stand.

5 (Witness sworn.)

6 JUDGE DIPPELL: Thank you.

7 CAREY FEATHERSTONE testified as follow:

8 QUESTIONS BY COMMISSIONER DAVIS:

9 Q. Good morning, Mr. Featherstone.

10 A. Good morning, Commissioner.

11 Q. Okay. Do you have a copy of the
12 reconciliation?

13 A. For the 90 case?

14 Q. For the 90 case, yes.

15 A. Yes.

16 Q. Okay. So --

17 A. And there's two of them. There's one for
18 MPS and one for L&P separately.

19 Q. Right. Okay. So let's start with, I guess
20 I would call this page 2. It would be the GMO MPS
21 reconciliation.

22 A. Yes.

23 Q. Okay. So as of March 31st, this year, the
24 GMO reconciliation was approximately 58 million; is that
25 correct?

1 A. Yes.

2 Q. I'm sorry. The GMO MPS position was 58 --
3 approximately 58 million. I'm just going to round to the
4 nearest million.

5 A. And the difference between the 22 and the
6 58 is, the company did a September 30th update case, and
7 then they did also a, what we would refer to as the
8 true-up, taking it through March 31 or April 30th.

9 Q. Right. So how much of the dollar -- I
10 mean, and then Staff's revenue requirement as of the
11 March 31st true-up was approximately \$11 million, correct?

12 A. No.

13 Q. No?

14 A. The \$11 million for us represented the
15 September 30 update.

16 Q. Okay.

17 A. The way we treat the true-up prior to the
18 true-up is through the allowance for known and measurable
19 changes, which the \$11 million did not represent.

20 Q. Okay. So what was Staff's number? I mean,
21 or did Staff have a number? I guess that was what I was
22 trying to figure out here.

23 A. Well, for MPS, we put in an allowance of
24 \$35 million, which was intending to address the --
25 obviously the plant in service for environmental, other

1 plant additions six months between September and March, as
2 well as estimates for payroll and pensions and fuel cost.

3 Q. Okay. So would that be the -- the 35
4 point -- 35,647,272 that's line 34 for GMO MPS? Or I'm
5 just trying to figure out where that \$35 million number
6 is.

7 A. No. It's -- the \$35 million allowance is
8 not reflected on the reconciliation from the Staff's
9 perspective. The -- the cases are sort of apples and
10 oranges, if I can use that expression.

11 Q. Okay.

12 A. The far right-hand column is the company's.
13 The \$58 million is their projection for the true-up.

14 Q. Okay.

15 A. Staff used -- uses another sort of method
16 or methodology to address its testimony of the true-up.
17 So the \$58 million includes Iatan 1 environmental costs.
18 However, the Staff's \$11 million does not. It is just
19 strictly through September. And the way we handled the
20 environmental cost upgrades is through the allowance,
21 which is the estimate of \$35 million that you saw on the
22 revenue requirement calculations that we presented to you
23 in February.

24 Q. Okay. All right. Because I think that's
25 where I was getting confused, and what was the -- what was

1 the number that you attributed to GMO L&P?

2 A. If you turn to the third page of the
3 reconciliation, the company's starting point is
4 \$5.5 million, and Staff's is 5.8 million. And the --
5 conversely, the September 30th updated through March 31 in
6 this case was for the company \$22.4 million. And then for
7 Staff we used the same methodology and approach for L&P,
8 so our number was compared of the September 30 number of
9 5.8 million.

10 Q. Okay. So there -- so there was -- there
11 was no -- no change in the -- I guess that's where I'm
12 confused, because there was -- there was no change in the
13 numbers for Staff between -- between 9/30 and March 31 on
14 the form that you filed here April 22nd; is that correct?

15 A. Well, no change. We're reconciling our
16 case, Staff's case, the company case September 30th to
17 September 30th. So the important numbers for us is this
18 middle column. The company, because of its tariff filing,
19 needed to include and wanted to include its -- its
20 estimate for the true-up, and we agreed for that
21 presentation. It is confusing --

22 Q. Okay.

23 A. -- by virtue of the way the company and the
24 Staff do their cases. And admittedly, it would be very
25 easy to get confused.

1 Q. All right. So I guess then it was
2 originally your position that -- that none of those
3 numbers should be included in the true-up, so therefore
4 the 5.896 or 5,896,168, that was the number then?

5 A. Well, it was not Staff's position that none
6 of these numbers should be included in the true-up.
7 The -- we estimated the true-up through the allowance
8 figure, the \$35 million for MPS and I believe it was \$10
9 million for L&P.

10 Q. Okay. See, that's what I was trying to get
11 at. So there was a \$10 million estimate --

12 A. For L&P. And that would have included
13 again its share of the Iatan 1 environmental. It would
14 have included an estimate for I think some pensions and
15 payroll and fuel. It was just strictly an estimate, and
16 that's how we treat the true-up.

17 Q. Okay.

18 A. I may have misspoke earlier. For MPS, it
19 would have been the Sibley and the Jeffrey environmental.

20 Q. Right. Give me just a second here,
21 Mr. Featherstone. I think we're -- Mr. Featherstone, the
22 Staff's not -- no. Never mind.

23 COMMISSIONER DAVIS: I don't have any
24 further questions.

25 JUDGE DIPPELL: Thank you. Mr. Chairman,

1 did you have --

2 CHAIRMAN CLAYTON: I do have some
3 questions.

4 JUDGE DIPPELL: Mr. Dottheim.

5 MR. DOTTHEIM: Pardon me. I don't know if
6 this might help. I don't have the reconciliation in front
7 of me, but I think possibly in part what Commissioner
8 Davis went through might have been what -- what I
9 addressed in a question we had, I think it was back in
10 April, when we went on the record regarding the true-up
11 issue, and we started the day with the KCPL case, and I
12 think I addressed it in the context of a KCPL case, and I
13 made reference using the Staff's report and the -- the
14 Staff's accounting schedule.

15 And in regards to the Staff's KCPL case,
16 there was a \$60 million figure which I referred to as a
17 plug, and it is -- was the allowance for known and
18 measurable changes to true-up estimate for the Staff had
19 put in its KCPL filing to account for what the Staff
20 thought its case was going to move for purposes of the
21 true-up.

22 The Staff did similarly for the GMO case,
23 both MPS and L&P. There was a \$35 million allowance for
24 known and measurable changes for the true-up estimate for
25 MPS, and for L&P there was a \$10 million allowance for

1 known and measurable changes true-up estimate. In keeping
2 with my terminology, those were arguably plugs, too, that
3 the Staff had put in because they were the estimates that
4 Staff had for where its case would move.

5 The Staff put those in in part to move its
6 case even at its initial filing because the Staff didn't
7 want to file a low case knowing that its case was going to
8 move in a matter of months, and therefore, in initially
9 filing it's case, give a false impression of where its
10 case ultimately would be.

11 So unfortunately, Commissioner Davis, I
12 didn't go back through that explanation for when we went
13 on the record for the GMO part of the case, the 0089/0092
14 case. So I apologize for not providing that.

15 COMMISSIONER DAVIS: That's fine,
16 Mr. Dottheim. It's all good.

17 MR. DOTTHEIM: I don't know. That might
18 have been helpful for these purposes.

19 COMMISSIONER DAVIS: Thank you.

20 JUDGE DIPPELL: Mr. Chairman?

21 QUESTIONS BY CHAIRMAN CLAYTON:

22 Q. Mr. Featherstone, I just have a couple
23 questions. Were you the lead audit staff for all three of
24 the cases or did you-all divvy up responsibility for the
25 KCP&L proper, the GMO and the GMO steam?

1 A. We essentially had one, I'll use the term
2 crew that did all three cases.

3 Q. You're a Regulatory Auditor V?

4 A. I am.

5 Q. So would you be the lead person aside from
6 the division directors?

7 A. I was the case coordinator for the three
8 cases for the services division. There was a counterpart
9 for operations.

10 Q. Okay.

11 A. I also had the responsibility for
12 overseeing the delivery of the revenue requirement
13 schedules.

14 Q. All right. So when we're talking dollars,
15 you're familiar with details of each of the three cases?

16 A. In general terms. There -- if you get into
17 too deep details on certain subjects, I'll probably have
18 to defer to some witnesses.

19 Q. Excuse me. I didn't -- excuse me. I
20 didn't mean to interrupt you. I want to just pop through
21 a couple of things that come to mind, and if you could
22 give me some feedback. If you're not the right person,
23 maybe we'll find the right person.

24 A. Okay.

25 Q. South Harper was mentioned earlier. I want

1 to start with that.

2 A. Okay.

3 Q. South Harper is now included in rate base
4 in the GMO service territory; is that correct?

5 A. It's my understanding that all of the legal
6 proceedings are concluded and the Commission has finished
7 its side of the South Harper saga and it is now in rate
8 base.

9 Q. Descriptive term. Is this the first rate
10 case for either Aquila or for Great Plains GMO where South
11 Harper has been included in rate base?

12 A. Yes.

13 Q. Okay. Can you tell me from a financial
14 perspective, what is the difference between the plant in
15 service less depreciation amount for South Harper in rate
16 base versus the phantom three unit description that was
17 included in Aquila's last -- or may have even been
18 Aquila's case two cases ago? Do you know the difference,
19 or are they identical numbers?

20 A. They're identical.

21 Q. Okay. Can you tell me in the GMO side how
22 this case settles the old Aquila cost of debt issue,
23 recognizing that Aquila had a higher cost of debt because
24 of its problems with not being rated at investment grade?
25 Has that cost of debt gone up in this cost of service?

1 A. Our rate of return witness David Murray
2 would have addressed that. It is my understanding that he
3 did a proxy of cost of debt for investment grade. That
4 really was -- it's consistent with the prior rate cases
5 when it was standalone Aquila, and it's also consistent
6 with the agreements or the approval of the acquisition
7 between Aquila and Great Plains Energy in the merger
8 docket.

9 Q. Okay. So as part of this settlement, the
10 ratepayers will not be contributing a higher amount due to
11 Aquila's higher cost of debt; is that a correct statement?

12 A. That's correct.

13 Q. And that -- this settlement is consistent
14 with how the Staff has addressed past issues with Aquila?

15 A. Yeah, I think so. I think that's correct.

16 Q. Okay. Can you tell me whether or not the
17 GMO property has any allowance for additional
18 amortizations in this settlement?

19 A. No. For MPS and L&P, there was not a
20 regulatory plan, so there was no additional amortizations.

21 Q. And part of the audit of GMO by the Staff,
22 how did the Staff -- or did the Staff review the books for
23 a merger savings between Great Plains and Aquila? Were
24 there any issues in the case that addressed potential
25 merger savings or synergies that were supposed to arise

1 due to the merger?

2 A. Staff did examine that. It was -- there
3 was a difference of opinion. Staff witness Hyneman is
4 here today and he can get into those details, but there
5 were differences between the way the company handled the
6 merger synergies and the way the Staff handled them.

7 Q. If I asked the question, hypothetically
8 speaking, if Aquila was still Aquila rather than being the
9 GMO properties, would the rate increase be higher, lower
10 or just the same as it would if Aquila was still filing
11 its own general rate case, are you able to give me an
12 answer to that question?

13 A. No, not really. We -- we did the audit
14 from the perspective of what we have. It was an acquired
15 company now. We would look at the same things. We looked
16 at fuel and payroll in the same way. There were
17 significant changes in -- particularly in the payroll
18 area. To the extent that there was some savings for
19 former Aquila people who were no longer there, we
20 certainly reflected those in this case.

21 So we attempted to take as much of the
22 savings as we could and reflect those in rates. But in
23 terms of being able to answer your question directly,
24 would the rate impact be the same if it was standalone
25 Aquila versus now combined KCP&L and GMO, I really

1 can't -- really can't testify to that.

2 Q. You don't know the answer to that. Can you
3 tell me what Staff's position was prior to the settlement
4 in terms of how much synergies, how much dollar amount
5 synergies have been found in the merger? Did Staff have a
6 dollar amount figure or position?

7 A. I don't recall. That would probably be a
8 question I'd have to defer to Mr. Hyneman.

9 Q. If I ask the question, do you recall the
10 difference in position on merger savings among the
11 parties, do you recall how large that difference was?

12 A. I think the -- the real difference of
13 opinion dealt with, just in my view, in summary, is should
14 there have been an affirmative adjustment put in the case.
15 It was the Staff's view that the regulatory lag as we
16 refer to it was sufficient to deal with the synergies
17 going -- in this case and going forward.

18 Q. Recognizing that you may not be the most
19 appropriate witness, but from a high level, as one of the
20 case leaders, is it possible to state as this case nears
21 completion whether the ratepayers are benefiting or not
22 benefiting from the merger or acquisition of the company?

23 A. I think it is probably too soon to tell.
24 Keep in mind that the case, this case was filed
25 September 5 of '08. The acquisition was approved by the

1 Commission in, I think, late June, and it became effective
2 on July 14th, is when the merger closed, the acquisition
3 closed. So there was essentially about a six or seven-
4 week period between the -- when the combination occurred
5 and when the rate cases were filed, very unusual in that
6 sense. In fact, this was the first case in my -- in my
7 tenure here that that's ever happened.

8 Some of the -- the savings are felt pretty
9 immediately, pretty quickly. Others will be ongoing. And
10 so in the sense of an answer to your question directly,
11 I'm not sure that all the savings have been fully come
12 about, and to the extent that those haven't occurred yet,
13 they weren't reflected in the case.

14 MR. FISCHER: Judge, I don't want to
15 interrupt, but I would direct the Chairman, if you're
16 interested in the company's perspective on those
17 questions, to the testimony of Darren Ives. He's got a
18 schedule that indicates the synergy savings from the
19 company's perspective in DR -- DRI-1.

20 BY CHAIRMAN CLAYTON:

21 Q. Mr. Featherstone, so I think what you're
22 saying is that you did say it's too early to tell on who
23 was benefiting the most, if at all, from the acquisition
24 or the merger, depending on how you characterize it. Can
25 I ask you, at what point in the future would be the

1 appropriate time to assess whether the merger has been a
2 success or not? Is it possible to pick that date out?

3 A. Certainly as we go out in time, the systems
4 are consolidated and the full implementation of the work
5 plans and the merger teams, acquisition teams are -- their
6 work is completed, and as the systems and processes are
7 materialized and mature, certainly the longer you go out
8 in time, the more likely the synergies will occur if they
9 are.

10 There's a lot of people who question values
11 of mergers, whether they are ever successful or not. One
12 of the difficulties in measuring and tracking synergies
13 and savings are it's difficult to separate former
14 standalone companies and identify what those savings are
15 when they combine.

16 Q. Mr. Featherstone, I believe the total
17 increase for the GMO territories is approximately
18 \$63 million; is that correct?

19 A. The stipulation for MPS is 48, and I
20 believe 15 for L&P.

21 Q. Okay. What was the -- what was the total
22 amount, the maximum amount requested by GMO when it filed
23 its case and its tariffs at the start?

24 A. The company's testimony identified for MPS
25 \$66 million and for L&P Electric 17 million, I believe.

1 The tariffs justified something different.

2 CHAIRMAN CLAYTON: I don't think I have any
3 additional questions for Mr. Featherstone.

4 MR. WILLIAMS: Chairman Clayton, if I
5 might, just to make sure you're not misunderstanding
6 something regarding South Harper, the South Harper site,
7 of course, is 315 megawatts approximately. It's three
8 CTs. In both prior cases and in this case, the Staff
9 imputed five CTs for a total of 525 megawatts. So South
10 Harper being included in a rate base doesn't address
11 entirely the imputed CT issue or imputed capacity issue.

12 CHAIRMAN CLAYTON: So the three CTs are now
13 in place and in rate base, so now we only have two phantom
14 CTs; is that what you are telling me?

15 MR. WILLIAMS: Two imputed.

16 CHAIRMAN CLAYTON: You say imputed, I say
17 phantom, but potato/potato, right? I mean, they're still
18 not there, and they replaced other power needs that the
19 company needs to serve its customers, is that -- is that a
20 fair characterization?

21 MR. WILLIAMS: It's the basis that Staff
22 used for costing certain capacity to the company.

23 CHAIRMAN CLAYTON: I don't have any other
24 questions for Mr. Featherstone.

25 Mails Mills: Judge, if I may, just to give

1 a different perspective on the South Harper question,
2 there is not an agreement in this case as to what is and
3 is not in rate base, except to the extent that it's
4 specifically set forth with regard to the Jeffrey and the
5 Sibley and the Iatan 1 projects, so that there is not any
6 agreement that South Harper is in rate base.

7 From Staff's perspective, it may be. They
8 may have settled on this basis, but there's no agreement
9 that it is or it isn't. And the same, frankly, with
10 respect to the cost of debt. There is no agreement in
11 this -- in this estimate to the cost of debt for the
12 former Aquila. It's part of the black box number, and you
13 can't -- you can't literally go to this agreement and say,
14 yes, there is X cost of debt or X.2 for the cost of debt,
15 except to the extent that it's reflected in the AFUDC
16 calculation. There it's specifically set out. But with
17 respect to cost of debt, rate base or any other item, it's
18 essentially a black box revenue requirement.

19 Just had to go on record as saying that
20 because we may have issues that arise again, and I don't
21 want my silence to be taken as acquiescence in the
22 inclusion of -- inclusion or exclusion of South Harper in
23 rate base. Just to clarify.

24 JUDGE DIPPELL: Mr. Lumley?

25 MR. LUMLEY: Just to add to that, the

1 issues with regard to the imputed CTs, that's all part and
2 parcel of the report and come out under issue No. 8, study
3 of capacity needs and solutions to those needs.

4 JUDGE DIPPELL: All right. Anything else
5 on that? Mr. Chairman? Commissioner Davis had another
6 question.

7 QUESTIONS BY COMMISSIONER DAVIS:

8 Q. I'm sorry, Mr. Featherstone. Do you have
9 any more discovery or data issues or information issues?
10 Have those all been resolved with GM -- does GMO have
11 anything else left outstanding with regard to GMO?

12 A. The Staff is still working on the
13 construction audits, you know, as we speak, and -- and
14 there are two individuals that could better answer that
15 question, Mr. Schallenberg and Mr. Hyneman. There have
16 been some discovery issues and they worked through those.
17 I don't know the status today with respect to what those
18 discovery issues are, whether they've been fully resolved
19 or they remain open.

20 Q. But you're leading the team that's doing
21 the construction audit, correct?

22 A. No.

23 Q. No?

24 A. (Witness shook head.)

25 Q. Then who is?

1 A. Well, right now it's Mr. Schallenberg and
2 Mr. Hyneman are working on the construction audits.

3 Q. Okay. So Mr. Schallenberg and Mr. Hyneman
4 are working on the construction audits. Okay. So you
5 didn't have any problem with auditing the cost of service
6 or any of those issues, correct, or you've got all those
7 issues resolved?

8 A. Yes. As far as the revenue requirements
9 associated with this case, that is the foundation for the
10 Stipulation & Agreements. We don't have any further
11 outstanding discovery matters that I'm aware of.

12 COMMISSIONER DAVIS: Okay. Thank you,
13 Mr. Featherstone.

14 JUDGE DIPPELL: All right. Is there
15 anything else from the Commissioners?

16 CHAIRMAN CLAYTON: Other than
17 Mr. Featherstone, yes, but I'm done with him.

18 JUDGE DIPPELL: Is there any additional
19 questions or anything before Mr. -- I have
20 Mr. Featherstone step down, from another party?

21 (No response.)

22 JUDGE DIPPELL: Mr. Featherstone, you can
23 step down for now. Thanks.

24 Mr. Chairman, you had some additional
25 questions you wanted to ask. Were there specific --

1 CHAIRMAN CLAYTON: I do, but I can wait
2 considering we have another hearing. I think they're
3 general to all of them.

4 COMMISSIONER DAVIS: I had one more
5 question, and I guess this is a general applicability,
6 too. If a party violates the Stip & Agreement, either in
7 the 0090 case or the 0092 case, what is the remedy?

8 MR. MILLS: Judge, I can address that, at
9 least in part. Typically the Commission in orders
10 approving Stipulation & Agreements not only approve the
11 Stipulation & Agreement but order the parties to comply
12 with the terms. So that if in the future a party does not
13 comply with the terms, they are -- they are in violation
14 of a Commission Order and penalties could apply.
15 Depending on what the violation is, penalties may or may
16 not be appropriate remedy.

17 There may be other appropriate remedy, but
18 that certainly would be among them. It may -- depending
19 on what it is, the appropriate remedy may be simply a
20 Commission Order saying you're not doing what you said you
21 did, start doing it now or go back and do it. I mean,
22 it's situation specific, but one of the remedies should
23 be -- should be penalties.

24 COMMISSIONER DAVIS: Okay.

25 JUDGE DIPPELL: Are there any other -- any

1 other additions to that?

2 MR. DOTTHEIM: Commissioner, yes.

3 Presumably the Commission would approve the Stipulation &
4 Agreement, so there would be a Commission Order approving
5 the Stipulation & Agreement. If -- if there was a party
6 in violation of the Stipulation & Agreement, depending
7 upon what the violation was, if it rose to the level that
8 the Staff thought it was something that needed to be
9 addressed or brought to the Commission's attention, the
10 Staff would bring that to the Commission's attention in
11 some manner by filing a complaint or asking for an
12 investigation or making some filing with the -- with the
13 Commission or if it -- again, depending upon what the
14 nature of it was.

15 If it didn't rise to that level, the --
16 then the Staff might wait until some other forum was
17 available, some other docket that was opened that the
18 Staff thought was an appropriate time to bring the matter
19 to the Commission's attention either for the Commission's
20 information or for the Commission to possibly take some
21 action.

22 COMMISSIONER DAVIS: Okay. Thank you,
23 Mr. Dottheim.

24 JUDGE DIPPELL: Did you have any additional
25 questions, Commissioner Davis?

1 COMMISSIONER DAVIS: I don't have any
2 additional questions for the -- for the 0090 case. I just
3 have maybe three or four for the 92 case, and I have maybe
4 three or four for the audit.

5 JUDGE DIPPELL: All right. If you want --

6 COMMISSIONER DAVIS: I didn't know how --

7 JUDGE DIPPELL: Let's go ahead -- since
8 we've been focusing mostly on the 90, let's just go ahead
9 and get it all finished up and then we'll go back to the
10 92. Mr. Chairman, you had some -- you had some additional
11 questions you wanted to ask?

12 CHAIRMAN CLAYTON: I think I'm ready to
13 move to steam.

14 JUDGE DIPPELL: Okay. Were there any other
15 questions, then, on the electric part?

16 (No response.)

17 JUDGE DIPPELL: All right. Let's go ahead,
18 then, and Commissioner Davis, did you want to ask your
19 questions then about the steam case?

20 COMMISSIONER DAVIS: Yes. Okay. There is
21 a \$384,000 cost of service increase, and then you make
22 numerous changes to, I guess I'll call it the fuel
23 adjustment agreement from the HR-2005-450 case; is that
24 correct?

25 MR. FISCHER: Yes, sir.

1 COMMISSIONER DAVIS: And there is no end
2 date on the agreement in HR-2005-450, is there? I mean,
3 it's forever, correct? And let the record note that
4 Mr. Conrad is shaking his head and smiling.

5 MR. CONRAD: I'm nodding my head.

6 MR. FISCHER: Judge, I would just say that,
7 like every other stipulation, it's good until the
8 Commission changes it in some future rate case. In that
9 sense, if you're asking rates, they may change in the
10 future.

11 COMMISSIONER DAVIS: That's true. Rates
12 may change in the future, but -- so I guess you're saying
13 that -- I guess it would be -- I don't want to start
14 anything here, but so you're saying --

15 MR. FISCHER: I didn't either, Judge.

16 COMMISSIONER DAVIS: So you're saying
17 that's not a contract between the parties, and I guess
18 Mr. Conrad's going to respectfully disagree?

19 MR. FISCHER: Yeah, I think those are
20 probably issues we would have litigated.

21 MR. CONRAD: Your assumption would be
22 correct.

23 COMMISSIONER DAVIS: Okay.

24 MR. CONRAD: That should be premised on the
25 idea that the parties have come to an agreement here to

1 not --

2 COMMISSIONER DAVIS: Yes. Now, Mr. Conrad,
3 I don't want to get into the province of -- of highly
4 confidential settlement negotiations that might have
5 occurred, but could you just identify for the Commission
6 the persons or the group of persons who you negotiated the
7 original agreement with in the HR-2005-450 case? Does
8 that -- does that violate the black box settlement?

9 MR. CONRAD: I don't think identifying the
10 persons involved, which would have included yours truly,
11 the litigation team that was at that time representing
12 Aquila. My memory may be somewhat faulty there, but I
13 believe the other side of my -- for the legal side would
14 have been Mr. Cooper.

15 COMMISSIONER DAVIS: Okay.

16 MR. CONRAD: And I want to say there may
17 have been others involved that I'm not missing, and I
18 wouldn't want to deny anyone their rightful due or credit,
19 but I want to say Mr. Williams, Denny Williams was -- was
20 involved. There may have been others behind him,
21 Commissioner, that -- that we didn't directly deal with.

22 COMMISSIONER DAVIS: You didn't directly
23 deal with. Okay. Thank you.

24 MR. CONRAD: And I should hasten to add
25 that also our technical person, Mr. Johnstone.

1 COMMISSIONER DAVIS: Yes. Got it. All
2 right. Last question. The stipulation in the 0092 case
3 provides that GMO Light & Power cannot file another rate
4 case for 14 months from the effective date of the tariffs
5 in this case, which is projected to be September 5; is
6 that correct?

7 MR. FISCHER: No, sir.

8 MR. CONRAD: No.

9 MR. FISCHER: I'm sorry. Go ahead, Stu,
10 Mr. Conrad.

11 MR. CONRAD: I think you're referring to,
12 are you not, sir, paragraph 4?

13 COMMISSIONER DAVIS: Yes.

14 MR. CONRAD: And I think that is an
15 implementation moratorium rather than a filing moratorium,
16 and beyond that, I would defer to my colleague,
17 Mr. Fischer.

18 MR. FISCHER: Yes. And I'd also point out
19 the -- unlike the electric cases, the steam tariffs would
20 go into effect on July the 1st.

21 COMMISSIONER DAVIS: Oh, okay. I did, I
22 missed that.

23 MR. FISCHER: But it is -- as Mr. Conrad
24 indicated, it is an implementation moratorium rather than
25 a filing moratorium. So we would not seek to implement a

1 rate increase prior to 14 months after the effective date
2 of July 1st.

3 COMMISSIONER DAVIS: Okay. And -- and then
4 the 11-month provision further on just means that they get
5 11 -- you're guaranteeing them 11 full months, you're not
6 going to seek some abbreviated --

7 MR. FISCHER: That's correct.

8 COMMISSIONER DAVIS: Okay. So let me ask
9 you this, Mr. Fischer. In the event of some catastrophic
10 event, you have still agreed that you're not going to
11 implement a rate increase for 14 months; that's correct?

12 MR. FISCHER: The provisions are what they
13 say. I guess force majeure could always kick in at some
14 point and we could come in and ask for -- to be relieved
15 of that. But yes, that's what -- that's what we're
16 agreeing to. We won't implement an increase after --
17 until 14 months after the July 1st effective date of the
18 tariffs in this case.

19 COMMISSIONER DAVIS: Thank you, Judge. No
20 further questions.

21 JUDGE DIPPELL: Commissioner Gunn, did you
22 have any questions, additional questions? Mr. Chairman?

23 CHAIRMAN CLAYTON: Just very quickly, I
24 want to ask Staff, on -- we're on the steam. On the steam
25 side, does the company have a fuel adjustment mechanism

1 included in their tariffs?

2 MR. WILLIAMS: It's called a quarterly cost
3 adjustment, yes.

4 CHAIRMAN CLAYTON: And this has existed for
5 longer than our fuel adjustment mechanism has either been
6 approved statutorily or by rule; is that correct?

7 MR. WILLIAMS: Yes.

8 CHAIRMAN CLAYTON: Now, I don't think we --
9 do we have a rule for a steam fuel adjustment clause?

10 MR. WILLIAMS: Not that I'm aware of.

11 CHAIRMAN CLAYTON: Do the statutes allow
12 for a fuel adjustment mechanism like with -- for steam
13 like electric?

14 MR. WILLIAMS: If you're asking is there an
15 explicit statute like the recent fuel adjustment clause
16 statute, 386.266, the answer to that is no.

17 CHAIRMAN CLAYTON: So this operates a
18 little differently than how the fuel adjustment mechanism
19 for either the GMO electric or Empire District Electric;
20 is that correct?

21 MR. WILLIAMS: It has some features that
22 are different, but I think it's similar in a lot of
23 respects.

24 CHAIRMAN CLAYTON: Give me the similarities
25 and then give me the differences.

1 MR. WILLIAMS: Well, one similarity is its
2 recovery of costs after they're incurred, and you have
3 accumulation periods and you have recovery periods. It's
4 similar in that it's looking at the difference between a
5 base amount of fuel and the actual fuel costs incurred. I
6 know one provision, and I don't recall if it got changed
7 or not, there were some performance standards, which we
8 don't have in the electric fuel that I'm aware of, where
9 they were supposed to use or be imputed to use a certain
10 amount of coal which was generally a cheaper fuel source.

11 I expect Mr. Conrad could give you a better
12 rundown of the differences since he was very instrumental
13 in negotiation of what the clause is for the steam itself.
14 Those are the ones that come to mind offhand.

15 CHAIRMAN CLAYTON: From Staff's
16 perspective -- well, before I ask that question, how long
17 has this mechanism been in place?

18 MR. WILLIAMS: I think it was instituted in
19 the 450 case, and it's been -- it's been a few years. I
20 don't know exactly how long.

21 MR. CONRAD: I believe there -- there is a
22 period which we have characterized, Mr. Chairman, as the
23 2006 period and also the 2007 period. So it goes back at
24 least -- at least that far.

25 A couple of other differences. As the name

1 implies, this is a quarterly mechanism, but the -- the
2 recovery period for the difference is then spread over a
3 12-month period. Counsel for Staff referred to a
4 performance standard, which is somewhat customized and
5 unique and is tweaked a little bit here in this package.
6 That is unique to the steam operation in St. Joe and
7 really keys on how it operates.

8 I'm trying to think of any other major
9 differences between that and the electric thing, but I'm
10 looking over here and seeing that Mr. Fischer maybe has a
11 thought.

12 MR. FISCHER: One major difference that I
13 would point out is the percent of recovery of the actual
14 fuel costs. In the electric, it's 95 percent. In this
15 case we are moving it from 80 percent to 85 percent.

16 CHAIRMAN CLAYTON: That figure is just a
17 negotiated figure among the parties?

18 MR. CONRAD: Yes.

19 CHAIRMAN CLAYTON: Okay. I don't think I
20 have any other questions, thank you, unless anyone else
21 wants to chime in on that. Thank you.

22 JUDGE DIPPELL: Are there any other
23 Commission questions?

24 (No response.)

25 JUDGE DIPPELL: All right, then. Did the

1 Commissioners need to hear from any of the other, the
2 Staff witnesses or anything on -- on either of these
3 Stipulation & Agreements?

4 COMMISSIONER DAVIS: Not on the Stips &
5 Agreements.

6 JUDGE DIPPELL: Okay. Then I think that
7 that pretty much wraps up that part, then. I did want to
8 address the pending motion for an extension of the audits,
9 and I believe that we had some Commission questions with
10 regard to those -- to that motion. There was supposed to
11 be responses and -- I believe that are due today, and we
12 haven't had any responses at this point, but I know
13 Commissioner Davis has some questions about that.

14 Commissioner Gunn, do you have questions
15 with regard to that motion?

16 COMMISSIONER GUNN: No.

17 JUDGE DIPPELL: Mr. Chairman, do you have
18 questions with regard to the motion? All right, then.
19 I'll just ask Commissioner Davis how he would like -- who
20 he would like to address his questions to or if he'd like
21 to start with the attorneys or call specific witnesses?

22 COMMISSIONER DAVIS: I think we probably
23 would need Mr. Schallenberg since he's -- since we've had
24 testimony that he's actually in charge of construction.

25 JUDGE DIPPELL: All right. We can ask

1 Mr. Schallenberg if he could come up.

2 MR. DOTTHEIM: And Commissioner Davis?

3 COMMISSIONER DAVIS: Yes.

4 MR. DOTTHEIM: That's what I was going to
5 respond to to your prior question where you asked
6 regarding a -- a coordinator for the construction audit,
7 and Mr. Schallenberg can address that. I think at this
8 point probably Mr. Schallenberg is the person who would be
9 identified as -- as a coordinator of the audit.

10 (Witness sworn.)

11 JUDGE DIPPELL: Thank you. Go ahead,
12 Commissioner Davis.

13 MR. DOTTHEIM: Mr. Schallenberg does have
14 testimony filed in the proceeding.

15 ROBERT SCHALLENBERG testified as follows:

16 QUESTIONS BY CHAIRMAN DAVIS:

17 Q. Good morning, Mr. Schallenberg.

18 A. Good morning.

19 Q. I guess -- I guess I'm a little confused
20 here. I was looking at Schedule 2 of your surrebuttal
21 testimony. The -- it talks about the coordination
22 procedures for construction audits. Says coordination,
23 and there's a footnote with a half page definition of
24 coordination that I'm not going to repeat, but said it
25 would be the responsibility of the energy department,

1 energy engineering manager or designates or desi -- yeah,
2 designate. So who is -- who is that person for -- for
3 Sibley 3 or for Jeffrey 1 and 3 or Iatan 1?

4 A. As of shortly after the Commission issued
5 the Order for the construction audit to be done in this
6 case, Natelle Dietrich, my counterpart in operations, and
7 I met and cleared out the understanding as what it is
8 currently, and I became the coordinator and services
9 became the primary responsibility for construction audits,
10 with the exception of a construction audit of Callaway 2.

11 Q. Okay. So you are, in fact, the coordinator
12 for -- for Iatan 1, Sibley 3 and Jeffrey 1 and 3?

13 A. Yes, and in addition, Jeffrey 2, Sioux,
14 Taum Sauk and Plum Point.

15 Q. Okay. Now, what about -- what about
16 Callaway? Or is -- would that be Callaway 1 or Callaway 2
17 or both?

18 A. At the present time, in the event that
19 there were -- there was the construction of a second
20 nuclear unit at Callaway, that would be the primary
21 responsibility of the operations department or the energy
22 department.

23 Q. Okay. And so Sibley 3, Jeffrey 1 and 3 and
24 Iatan 1 have all met their in-service criteria, correct?

25 A. They have, with the possible exception that

1 in Iatan 1 there is this block of plant called common, and
2 as of today we're still looking at or trying to resolve
3 whether -- whether what components within the Iatan common
4 plant is in service as of May 31st.

5 Q. Okay. So you're still trying to determine
6 that?

7 A. Right.

8 Q. Okay. Are there any discovery disputes
9 with Sibley 3?

10 A. Not that -- not that I recall, other than I
11 think we're still working with the company trying to get
12 detailed information to support the dollars, but we're
13 farther along than Sibley 3.

14 Q. Okay. Are there any discovery disputes
15 with Jeffrey 1 and Jeffrey 3?

16 A. Yes, in the sense that Jeffrey 1 and 3 is
17 being constructed by, I believe they're called WestStar
18 now. It's a Kansas utility. They're the primary
19 constructor. They have the records. GMO is a minority
20 owner, and they've been making inquiries to attempt to
21 receive information from WestStar that as of yet they have
22 not been able to produce.

23 Q. Okay. So is it at the point that we need
24 to go to the Kansas Commission and ask for this
25 information?

1 A. I'm not sure what -- how we can go. I know
2 there hasn't been a discovery discussion along those
3 lines, but there has been a discovery discussion as Kansas
4 has an environmental clause, and WestStar does report to
5 the KCC under that environmental clause. In fact, we're
6 supposed to -- Mr. Hyneman was working out the details.
7 We're supposed to meet with the KCC and discuss the
8 reports they've received on the environmental clause, I
9 think it's next week. We're trying to finalize the date.
10 So we've attempted to do one -- that approach to address
11 some of the detailed acquisition data problems.

12 Q. Did you read Staff's motion for an
13 extension on the construction audits? Have you read it?

14 A. Yes.

15 Q. Okay. In numbered paragraph 3, they talked
16 about moving at a, quote, deliberate pace. Do you know
17 what that -- what does that mean?

18 A. Well, I can tell you how -- how -- I know
19 what the pace is. I can say is at this moment all the
20 construction audits -- and the scope is beyond just the
21 three or four or five, depending on how you treat common
22 plant, that are in this -- the GMO case. All of those
23 are -- we have open discussions with companies regarding
24 getting those done by the time that the next case -- well,
25 one is we actually have a draft report to file. We have

1 to file on the 19th.

2 But to make sure that all of those are done
3 by the time the company makes their request to include the
4 cost of those projects in rates, and that includes not
5 just those three, it also includes Iatan 2 and the other
6 plants that I mentioned. And when I say deliberate,
7 that's going on -- that's going on daily.

8 Q. Okay. So with regard to the construction
9 audits for Sibley 3, Jeffrey 1 and Jeffrey 3, you just
10 said that Staff could have those done before GMO or at the
11 time -- or I guess at or -- at or before GMO files their
12 next rate case; is that correct?

13 A. No. I said I could file a report on
14 June 19th.

15 Q. Okay.

16 A. They would be -- they would be the best
17 that could be produced by the Staff in the time and with
18 the data that we have available. They would -- as the
19 Order specified, they had a requirement that we had to
20 delineate adjustments on the basis for adjustments, and on
21 June 19th we would give you the adjustments and the basis
22 for the adjustments that we had as of June 19th. But that
23 wouldn't be -- that wouldn't be a complete evaluation.

24 Q. Right. But didn't you say that you could
25 give a complete evaluation? Didn't you -- I mean, did you

1 say something about how you can give a complete
2 evaluation, you know, by the time they file their next
3 rate case?

4 A. Yes, all -- all -- the next rate case for
5 GMO, and then the discussions with Empire, AmerenUE, in
6 terms of when they have plans to file, and I mentioned
7 that because we have a standard or we're working on a
8 standard block of data requests that are fairly
9 comprehensive. So we've inquired with the companies as to
10 when they intend to file the case to include those.

11 Taum Sauk also has another issue related to
12 it, because of --

13 Q. Right. We're -- you know, we're not
14 talking Taum Sauk here today. So --

15 A. Okay.

16 Q. I'm just trying to figure out,
17 Mr. Schallenberg, I mean, is it feasible, you know, can
18 the auditing staff complete these audits completely by the
19 end of the year? Can you complete Jeffrey 1 and Jeffrey 3
20 by the end of the year?

21 A. I would say yes if you get the -- well,
22 they're going to be completed even if you don't get
23 discovery, because -- we'll just say the company didn't
24 provide the data and, therefore, no opinion. So sure,
25 they could be done by the end of the year.

1 Q. Okay. Well, is it reasonable to be able to
2 obtain all of the information from GMO and have a complete
3 audit unless they are vexatious or not forthcoming with
4 the information?

5 A. Yes. I'm not sure what vexatious means,
6 but --

7 Q. And the same thing for Sibley?

8 A. Yes.

9 Q. And what about Iatan 1?

10 A. There could be an audit completed. Iatan 1
11 is interrelated with Iatan 2 in these comments, so there
12 could be some outstanding issues, but substantially
13 completed, yes.

14 Q. Okay. So would you have any objection if
15 the Commission ordered you to produce these audits by,
16 say, December 31st, 2009, as opposed to what was said the
17 time for Staff to file its direct testimony in the next
18 round of rate cases?

19 A. Obviously I won't object. It does change
20 the priority of how the work is done, but if that's the
21 Commission's desire, those audits will be moved up to make
22 sure they meet that date and the other audits will be
23 adjusted accordingly.

24 Q. Okay. Well, let's see. You've got -- and
25 is it -- is it technically feasible to do that and to

1 complete the audit for MGE and Ameren's -- MGE and Ameren
2 have rate cases right now, correct? Or no, Ameren does
3 not.

4 A. MGE. Ameren does not. I think Empire has
5 filed a gas case. Empire may have a gas case before us.
6 We may have two gas cases, but I don't -- AmerenUE has not
7 filed a rate case yet.

8 Q. Okay. So you've got -- MGE's got a rate
9 case. You've already got that in the schedule, and that's
10 for the Kansas City auditors?

11 A. I think there -- there's discussion about
12 whether Kansas City will do that or that will be done out
13 of Jeff City or a combination of both.

14 Q. Okay. So is it -- is it technically
15 feasible without having employees work inordinate amounts
16 of overtime that these audits could be completed by the
17 end of the year without disrupting anyone else's schedule?

18 A. You mean disrupt, I'm not sure when you say
19 anybody else --

20 Q. I don't want to disrupt MGE's rate case or
21 Empire's gas case or -- or anything else.

22 A. There are no resources that are being
23 dedicated to the construction audits that are competing
24 with Empire's rate case or with MGE's rate case. The
25 thing is, is it's not likely that between now and the end

1 of the year nothing else will come up. In Iatan 1's case,
2 Iatan 1 is interrelated with Iatan 2, and as we finish or
3 as we finish Iatan 1, there's going to be an overlap
4 between that and Iatan 2. There's going to be costs that
5 should be in one or the other. And then we still have
6 that common plant deal.

7 So when you're saying Iatan 1, Iatan 1 will
8 still have some overhang until Iatan 2 is finished, and
9 I -- we're still talking to the company. We get those
10 updates as to when Iatan 2 will be finished because that
11 dictates when the next rate case will take place.

12 And I would also point out is, there is
13 still the -- when you're doing a construction audit,
14 you're actually doing it on the dollars. You're doing it
15 on the dollars spent, and the dollars spent are not
16 necessarily -- well, in fact, almost -- it's probably
17 universal, they're never complete, completely known at the
18 time a plant goes into operation.

19 And I think we're looking at some schedules
20 that go through the rest of this year of payments that are
21 projected to be made that haven't been made. So the --
22 that is an issue as to what the construction audit at
23 December 31st would address because it can only address
24 what -- what has actually been paid because audits are
25 done on what's paid, not what was projected.

1 COMMISSIONER DAVIS: Okay. Thank you,
2 Mr. Schallenberg. I don't think I have any more
3 questions.

4 JUDGE DIPPELL: All right. Commissioner
5 Gunn, did you have any questions of Mr. Schallenberg?

6 COMMISSIONER GUNN: No questions.

7 JUDGE DIPPELL: Mr. Chairman?

8 CHAIRMAN CLAYTON: No, thanks.

9 JUDGE DIPPELL: Were there any other party
10 comments before I dismiss Mr. Schallenberg?

11 Mr. Dottheim, did you have something else?

12 MR. DOTTHEIM: Not unless any of the
13 Commissioners have any further questions.

14 JUDGE DIPPELL: All right. It looks like
15 nothing further, then. Mr. Schallenberg, you may step
16 down.

17 THE WITNESS: Thank you.

18 JUDGE DIPPELL: Commissioner Davis, did you
19 have any additional questions on this issue?

20 COMMISSIONER DAVIS: I didn't --
21 Mr. Fischer, do you have anybody that wants to respond to
22 any of Mr. Schallenberg's testimony concerning the audit
23 or anything?

24 MR. FISCHER: I doubt it, but I'll check.
25 No, sir.

1 COMMISSIONER DAVIS: All right. I don't
2 have any more questions.

3 JUDGE DIPPELL: All right. I think, then,
4 if there's nothing further from the Commissioners, that I
5 believe that concludes everything we need for the
6 stipulations. I'm not seeing anything further. Then we
7 will go ahead and conclude this hearing and go off the
8 record. Thank you.

9 WHEREUPON, the stipulation hearing in this
10 case was concluded.

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1	EXHIBITS INDEX	
2		MARKED
3	EXHIBIT NO. 1	
4	In-Service Criteria for SO2 Control Equipment Jeffrey Energy Center	144
5	EXHIBIT NO. 2	
6	Nonunanimous Stipulation and Agreement, Case No. ER-2009-0090	154
7	EXHIBIT NO. 3	
8	Nonunanimous Stipulation and Agreement Regarding Pensions Case No. ER-2009-0090	154
9	EXHIBIT NO. 4	
10	Unanimous Stipulation and Agreement Case No. HR-2009-0092	154
11		
12		
13		
14		
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25		

1
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C E R T I F I C A T E

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

I, Kellene K. Feddersen, Certified

Shorthand Reporter with the firm of Midwest Litigation Services, do hereby certify that I was personally present at the proceedings had in the above-entitled cause at the time and place set forth in the caption sheet thereof; that I then and there took down in Stenotype the proceedings had; and that the foregoing is a full, true and correct transcript of such Stenotype notes so made at such time and place.

Given at my office in the City of Jefferson, County of Cole, State of Missouri.

Kellene K. Feddersen, RPR, CSR, CCR