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STATE OF MISSOURI  
PUBLIC SERVICE COMMISSION  
  
TRANSCRIPT OF PROCEEDINGS  
  
Hearing  
  
April 18, 2000  
Jefferson City, Missouri  
Volume 7

GS Technology Operating Company, )  
Inc., doing business as GST Steel )  
Company, )  
Complainant, )  
vs. ) Case No. EC-99-553  
Kansas City Power & Light Company, )  
Respondent. )  
  
KEVIN THOMPSON, Presiding,  
DEPUTY CHIEF REGULATORY LAW JUDGE.  
  
SHEILA LUMPE, Chair,  
CONNIE MURRAY,  
ROBERT G. SCHEMENAUER,  
M. DIANNE DRAINER, Vice-Chair  
COMMISSIONERS.

REPORTED BY:  
  
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ASSOCIATED COURT REPORTERS, INC.

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P R O C E E D I N G S

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JUDGE THOMPSON: This morning we would like  
to start with Staff's witnesses, so take it away.

MS. SHEMWELL: Thank you, your Honor. We  
would call Dr. Eve Lissik to the stand.

(Witness sworn.)

JUDGE THOMPSON: Please take your seat and  
spell your name for the reporter, please.

THE WITNESS: My name is Eve A. Lissik,  
spelled L-i-s-s-i-k, Post Office Box 360, Jefferson  
City, Missouri 65102.

JUDGE THOMPSON: Thank you. Please proceed.

MS. SHEMWELL: Thank you.

EVE A. LISSIK testified as follows:

DIRECT EXAMINATION BY MS. SHEMWELL:

Q. Good morning.

A. Good morning.

Q. Where do you work?

A. I work for the Missouri Public Service  
Commission.

Q. What do you do for the Commission?

A. I'm the Utility Engineering Supervisor in  
the electric department.

Q. Are you the Eve Lissik who caused to be  
prepared the testimony that has been labeled Exhibit 9

1 and 10?

2 A. Yes, I am.

3 Q. Do you have any changes to your testimony,  
4 Ms. Lissik?

5 A. Yes, I do.

6 Q. Would you tell the Commission what that is,  
7 please?

8 A. Yes. In Exhibit 9, my rebuttal testimony,  
9 on page 13, beginning with line 5, Item No. 2, should  
10 read, The Commission should delay any decision in this  
11 case, and then insert, respecting Hawthorn 5 pending  
12 the outcome of the Staff's independent investigation  
13 and final report of the boiler explosion at Hawthorn  
14 5, Case No. ES-99-581, and then insert, after KCPL and  
15 its insurance carriers complete their own  
16 investigation.

17 Q. Thank you. Do you have any other changes?

18 A. No, I don't.

19 Q. If I were to ask the same questions today,  
20 would your answers be substantially the same?

21 A. Yes, they would.

22 Q. Is your testimony true and correct to the  
23 best of your knowledge?

24 A. Yes, it is.

25 MS. SHEMWELL: Your Honor, I would move for

1 admission of Exhibits No. 9 and 10 and tender the  
2 witness for cross.

3 JUDGE THOMPSON: Objections?

4 (No response.)

5 Hearing no objections, Exhibits No. 9 and 10  
6 are received and made a part of the record of this  
7 proceeding.

8 (EXHIBIT NOS. 9 AND 10 WERE RECEIVED INTO  
9 EVIDENCE.)

10 JUDGE THOMPSON: Cross-examination.

11 Mr. Dority, are you up first?

12 MR. DORITY: Yes, sir. Thank you, your  
13 Honor.

14 JUDGE THOMPSON: Please proceed.

15 CROSS-EXAMINATION BY MR. DORITY:

16 Q. Good morning, Dr. Lissik.

17 A. Good morning.

18 Q. I just have a few brief questions to ask you  
19 this morning. I don't intend to keep you very long.

20 On page 3 of the Staff's Statement of  
21 Position on the issues, the Staff indicated that, with  
22 the exception of Hawthorn 5, which is of course out of  
23 service, KCPL is currently operating and maintaining  
24 its generating units in an acceptable manner; is that  
25 correct?

1           A.     I believe so. I don't have that in front of  
2 me.

3           MS. SHEMWELL: May I approach, your Honor?

4           JUDGE THOMPSON: You may approach.

5           MS. SHEMWELL: Thank you.

6           THE WITNESS: Which item, sir?

7 BY MR. DORITY:

8           Q.     On page 3.

9           A.     Yes. Okay.

10          Q.     I believe the statement I read is contained  
11 in paragraph E. With the exception of Hawthorn 5  
12 unit, which is out of service, KCPL is currently  
13 operating and maintaining its generating units in an  
14 acceptable manner.

15          A.     That's correct.

16          Q.     And do you agree with the Staff Position  
17 Statement that KCPL is currently operating and  
18 maintaining its existing generating units in an  
19 acceptable manner?

20          A.     Yes.

21          Q.     Dr. Lissik, in your surrebuttal testimony,  
22 which has been marked as Exhibit 9, you state at  
23 page 6, beginning at line 7, I quote, KCPL's  
24 generating units have been operating at an equivalent  
25 availability at around 80 percent. Do you see that

1 statement?

2 A. Yes, I do.

3 Q. Is that correct?

4 A. Yes, it is.

5 MS. SHEMWELL: Just a moment. Are you  
6 referring to 9, the rebuttal, or 10, the  
7 cross-surrebuttal, Mr. Dority?

8 MR. DORITY: I'm sorry. We've been in  
9 Exhibit 10, the surrebuttal.

10 MS. SHEMWELL: Thank you.

11 MR. BREW: Excuse me, your Honor. This  
12 appears to be friendly cross, which I understand is  
13 not -- is frowned upon by the Commission.

14 JUDGE THOMPSON: Any response, Mr. Dority?  
15 Are you friends with Ms. Lissik?

16 MR. DORITY: I admire the professional  
17 qualifications of Dr. Lissik. I'm not friends with  
18 her on a personal basis. I'm just simply trying to  
19 discern from her testimony and get some observations  
20 in the record.

21 JUDGE THOMPSON: Cross-examination is broad  
22 in Missouri administrative proceedings, and the  
23 objection will be overruled.

24 BY MR. DORITY:

25 Q. Dr. Lissik, in the Report and Order in

1 KCPL's Wolf Creek rate case, Case No. EO-85-185, the  
2 Commission said that equivalent availability is the  
3 percentage of time the plant is available at full  
4 capacity to generate power. Do you agree with that  
5 definition?

6 A. Could you read that again, please?

7 Q. I'd be happy to. Equivalent availability is  
8 the percentage of time a plant is available at full  
9 capacity to generate power. In fact, I have a copy.

10 MR. DORITY: If I may approach the witness,  
11 I'd be happy to give her a copy of the order.

12 JUDGE THOMPSON: You may approach.

13 MR. DORITY: I'm citing from 28 Missouri PSC  
14 New Series, page 396, your Honor.

15 THE WITNESS: I'm sorry. Now, what was the  
16 question?

17 BY MR. DORITY:

18 Q. The Commission stated that equivalent  
19 availability is the percentage of time a plant is  
20 available at full capacity to generate power, and do  
21 you agree with that definition as it was used by the  
22 Commission in that proceeding?

23 A. Yes, I do.

24 Q. Okay. Again in your surrebuttal testimony  
25 at page 3, line 18, you testify that, quote, being at



1 an acceptable level of EAF, or equivalent availability  
2 factor, is the most critical measure; is that correct?

3 A. That's what I state, yes.

4 Q. And I believe you were saying that the  
5 equivalent availability factor is even more important  
6 than being within acceptable industry standards; is  
7 that your view?

8 A. Yes.

9 Q. Dr. Lissik, you also list in your  
10 surrebuttal on page 6 the average capacity factors of  
11 KCPL's plants for the years 1994 through 1998; is that  
12 correct?

13 A. Yes, I do.

14 Q. And capacity factors are sometimes used  
15 synonymously with equivalent availability factors; is  
16 that correct?

17 A. Not exactly, no.

18 Q. So is there a difference between EAFs and  
19 capacity factors?

20 A. I believe that there is.

21 Q. On page 6 of your surrebuttal at line 8, you  
22 state, and I quote, KCPL's generating units have been  
23 operating at an equivalent availability factor of  
24 around 80 percent. This information coupled with the  
25 relatively high capacity factors of its baseload units

1 shown below leads me to believe that, as a whole,  
2 KCPL's generating units are operating within  
3 acceptable limits; is that correct?

4 A. Yes, it is.

5 Q. I also notice that you found that Wolf Creek  
6 had an average capacity factor of 97.03 percent for  
7 the years 1994 to 1998; is that correct?

8 A. Yes.

9 Q. And would you agree that a 97.03 percent  
10 average capacity factor or equivalent availability  
11 factor is outstanding performance?

12 A. Yes.

13 Q. Dr. Lissik, are you aware that the  
14 Commission used an equivalent availability factor of  
15 76.9 percent for Wolf Creek in the Wolf Creek rate  
16 case when that equivalent availability factor was a  
17 litigated issue in that proceeding?

18 A. I'm not specifically aware of that, no.

19 Q. In front of you I've left the volume of the  
20 PSC reports that reflects that particular proceeding.  
21 On page 400 of that published opinion in the Wolf  
22 Creek case, which is in 28 Missouri PSC New Series, it  
23 indicates that the Commission is of the opinion that  
24 Staff's estimate of 76.9 percent for Wolf Creek is a  
25 conservative one and should be achieved or exceeded by

1 the company.

2 Dr. Lissik, would you agree that the Wolf  
3 Creek plant's equivalent availability factor or  
4 capacity factor has been considerably better than the  
5 76.9 percent initially found acceptable by the  
6 Commission?

7 A. Now, you've said both equivalent  
8 availability factor and capacity factor. The average  
9 capacity factor is significantly higher, and I  
10 believe -- let me check, please.

11 Q. Okay.

12 A. Are we addressing the period from 1994  
13 through 1998?

14 Q. I believe that's what you were addressing.

15 A. Then the statement is true for the  
16 equivalent availability factor.

17 Q. Thank you.

18 Dr. Lissik, do you happen to know what  
19 KCPL's equivalent availability factor was for its  
20 baseload units in the summer of 1999?

21 A. No, I don't.

22 Q. Would you agree that the equivalent  
23 availability factor is particularly important for a  
24 company like KCPL that is a summer peaking utility?

25 A. Yes, I would.

1           Q.     Thank you.  If a summer peaking utility's  
2     baseload units achieved an EAF in excess of 99 percent  
3     for the summer period in 1999, would you agree that  
4     such performance would be considered as outstanding by  
5     industry standards?

6           A.     Yes, I would.

7           Q.     On page 4 of the Staff's Position Statement,  
8     it states that, quote, based upon the evidence  
9     presented by GST and KCPL concerning the operation of  
10    KCPL's other baseload generation, which would include  
11    Montrose, Iatan, LaCygne and Wolf Creek, it appears  
12    that KCPL's system is operating acceptably.

13                  Dr. Lissik, do you agree with that Staff  
14    position?

15          A.     Yes, I do.

16          Q.     Based upon your conclusion that KCPL's  
17    system is operating acceptably, do you have a burning  
18    desire to spend your time conducting a formal  
19    investigation into KCPL's performance in another  
20    formal docket, Dr. Lissik?

21          A.     I believe that that's a decision that's left  
22    to the Commission.

23          Q.     Thank you, Doctor.

24                  MR. DORITY:  That's all I have, your Honor.

25                  JUDGE THOMPSON:  Thank you, Mr. DORITY.

1 Which of you two is -- Mr. Brew.

2 MR. BREW: Thank you, your Honor.

3 CROSS-EXAMINATION BY MR. BREW:

4 Q. Good morning, Dr. Lissik.

5 A. Good morning, Mr. Brew.

6 Q. I'll be brief as well. Could I refer you to  
7 your rebuttal testimony, please, and specifically to  
8 page 12?

9 A. I'm there.

10 Q. In the conclusion on pages -- lines 19  
11 through 21 you indicate that, in your view, the case  
12 presented by GST Steel and developed by the Staff is  
13 inconclusive. Do you see that?

14 A. Yes, I do.

15 Q. And above that you have a question and  
16 answer with respect to the Hawthorn 5 explosion in  
17 February 1999?

18 A. Yes.

19 Q. Does your conclusion on lines 19 and 20  
20 apply to the Hawthorn 5 prudence?

21 A. No, it does not.

22 Q. Okay. Thank you.

23 With respect to your surrebuttal testimony,  
24 and I'll refer you to the same page 6 that Mr. Dority  
25 just addressed. Do you have it?

1           A.     Yes.

2           Q.     Who runs the Wolf Creek plant?

3           A.     Wolf Creek is -- it's not run by KCPL.

4           Q.     It's not run by KCPL.  KCPL management

5           doesn't control how that plant is run or how

6           efficiently it operates?

7           A.     That's correct.

8           Q.     On page 6, the chart that you -- the table  
9           that you show in the middle of the page, would you  
10          agree that of the four other baseload units, not  
11          including Wolf Creek, that the average capacity factor  
12          is less than 70 percent?

13          A.     I'd have to do that calculation because it  
14          would probably be weighted by capacity of those units.

15          Q.     Let me rephrase the question.  Don't you  
16          show on this table that for Montrose, Hawthorn and  
17          LaCygne, the average capacity factor for 1994 to '98  
18          for each of those units is less than 70 percent?

19          A.     That's what it shows.

20          Q.     And would you consider an average capacity  
21          factor for baseload units with low-cost fuel of less  
22          than 70 percent to be poor performance?

23          A.     Not necessarily.

24          Q.     Have you done any assessment of coal-fired  
25          baseload units that have operated at less than an

1 80 percent capacity factor over the same period?

2 A. Do you mean other than KCPL?

3 Q. Yes.

4 A. Could you state that question again, please?

5 Q. Strike that. Let me rephrase the question.

6 If you -- would you agree that if you delete  
7 Wolf Creek from the analysis prepared by KCPL witness  
8 Eldridge, that the equivalent availability for the  
9 plants that KCPL operates is 5 percent below the peer  
10 group for 1998?

11 A. I would have to go back and do that  
12 calculation. So subject to check, perhaps.

13 Q. Have you reviewed Mr. Norwood's testimony?

14 A. Yes, I have.

15 Q. And including his Appendix 2?

16 A. Yes, I have.

17 Q. Okay. Thank you.

18 Can you tell me if any of the units actually  
19 operated by KCPL are more than 10 percent below the  
20 peer group for that period in terms of average  
21 availability?

22 A. Let me check. Excuse me, Mr. Brew.

23 Q. Yes.

24 A. When you're discussing -- you're discussing  
25 the individual units, correct?

1 Q. In that question, that's correct.

2 A. Okay. And you had stated less than 10  
3 percent?

4 Q. More than 10 percent below the peer group.

5 A. Okay. More than 10 percent below the peer  
6 group. I've got you. For the period 1994 to 1998?

7 Q. Yes.

8 A. Hawthorn is operating at -- it's operating  
9 better than that in the 1994 to '96 period. In the  
10 1995 to 1997 period, it appears to be operating at a  
11 little bit better than 10 percent within the peer  
12 average. And in the 1996-1998 period, it's hard to  
13 tell. It's very close.

14 For LaCygne 1, in the 1994 through 1998  
15 period, it appears to be -- it's very difficult to  
16 tell from these bar graphs -- at around 10 percent,  
17 clearly a little bit lower in the 1995 to 1997 period,  
18 but it's difficult to tell with '94 to '96 and '96 to  
19 '98.

20 Montrose equivalent availability appears to  
21 be higher or equal to the peer groups in the 1994 to  
22 1998 period. Who have I got left, Iatan?

23 Q. Iatan.

24 A. Okay. Iatan and LaCygne 2 are -- let's see.  
25 Iatan appears to be operating better than that



1 10 percent, and LaCygne 2 in the '94 to '96 period  
2 just a little bit within that 10 percent and in '95 to  
3 '98 lower than 10 percent.

4 Q. Okay. In the context of your surrebuttal  
5 testimony to Ms. Eldridge --

6 A. Yes.

7 Q. -- did you make any adjustments to  
8 Ms. Eldridge's analysis in drawing any of your  
9 conclusions?

10 A. No, I did not.

11 MR. BREW: Thank you. That's all I have,  
12 your Honor.

13 JUDGE THOMPSON: Thank you, Mr. Brew.  
14 Questions from the Bench, Chair Lumpe?

15 QUESTIONS BY CHAIR LUMPE:

16 Q. Dr. Lissik, both parties, I think, in their  
17 opening statements suggested we should not delay a  
18 decision, but as I read and saw your changes this  
19 morning, it is your recommendation, Staff's  
20 recommendation that we should perhaps delay a decision  
21 for further investigation?

22 A. Pending the outcome of Hawthorn 5, that's  
23 correct.

24 Q. And do you have some time line or do we know  
25 when that might be completed, the insurance and KCPL

1 and Staff's investigations?

2 A. No, we don't. We had hoped that we would  
3 have KCPL and their investigator's report by now, but  
4 there have been some delays that have been reasonable,  
5 and so I'm not aware of when those reports will be  
6 available to us.

7 Q. On what I call the dueling reports on the --  
8 of the experts, could -- is it conceivable that a  
9 rolling average would bias a trend?

10 A. A rolling average could, depending upon the  
11 data that go into that rolling average.

12 Q. If a trend were going down and you used a  
13 rolling average, would it not raise that trend, and by  
14 the same token, if the trends were going up, would it  
15 not lower that conceivably?

16 A. Conceivably. I'd have to sit down and play  
17 with some numbers, but clearly it masks the effect of  
18 sharp increases or decreases in the data.

19 Q. On page 11 of your, I guess, rebuttal  
20 testimony, and it's about line 10, or it is line 10,  
21 where you talk about the increase in Hawthorn 5's  
22 forced outage -- do you see that section there?

23 A. Yes, ma'am.

24 Q. -- is significant but does not provide  
25 evidence supporting GST Steel's claim of decreasing

1 unit availability. What does that mean, that  
2 sentence?

3 A. Okay. GST showed in their case that the  
4 time that Hawthorn 5 was out -- that the Hawthorn 5  
5 unit was off line from 1994 to 1998 increased from  
6 being unavailable 7.1 percent of the time to 33.52  
7 percent of the time, which is a significant change.

8 Q. For that unit?

9 A. For that unit. But with regard to all of  
10 the other units, it is only giving us one unit, where  
11 my belief has been that GST has alleged this problem  
12 for all of the units.

13 Q. So for the -- if there were available other  
14 units, then the particular outage at Hawthorn 5 would  
15 not be as relevant?

16 A. That's -- that's correct.

17 Q. And I don't know whether I'm saying  
18 something that should be in-camera or not, but to get  
19 to -- did the contract call for least cost power?

20 A. Commissioner Lumpe, I'm not familiar with  
21 the details of the contract. Dr. Proctor would be in  
22 a better position to answer that question for you,  
23 yes.

24 Q. All right. And perhaps he would be better  
25 for my last question, then, which has to do with

1 because of the former case that said about the  
2 decrease in the former case for other customers?

3 A. Yes, ma'am.

4 Q. Would that imply that only GST would be  
5 picking up a higher cost because they are not included  
6 under that case?

7 A. Again, Dr. Proctor's in a better position.  
8 Clearly the rate case, complaint case moratorium  
9 applies to the customers on the tariff, and GST is not  
10 on a tariff rate.

11 Q. So they could not increase the rates to  
12 those customers, does that --

13 A. The tariffed customers?

14 Q. Yes.

15 A. That's correct, during the moratorium.

16 CHAIR LUMPE: Okay. Thank you. That's all  
17 I have.

18 JUDGE THOMPSON: Thank you, Chair Lumpe.

19 Vice Chair Drainer?

20 QUESTIONS BY COMMISSIONER DRAINER:

21 Q. Good morning, Dr. Lissik.

22 A. Good morning.

23 Q. How are you this morning?

24 A. I'm fine, thanks.

25 Q. I just want to ask you just some clarifying

1 questions on your schedules in your rebuttal  
2 testimony --

3 A. Yes, ma'am.

4 Q. -- so I understand what it is you're telling  
5 me, starting with Schedule 4.

6 A. Kansas City Power & Light nuclear production  
7 expenses. Okay.

8 Q. I guess throughout many of these schedules  
9 you have, like -- this in Schedule 5 also is  
10 transmission. You have like an operation expense?

11 A. That's correct.

12 Q. And then you have a maintenance expense?

13 A. That's correct.

14 Q. And now tell me what that percent is. Is  
15 maintenance a piece of the operation expense?

16 A. Okay.

17 Q. Just using Schedule 4.

18 A. In Table 4, for instance, in 1998, the  
19 22.39 percent means that the nuclear maintenance  
20 expense, the 16. -- almost \$16.5 million is  
21 22.39 percent of the total nuclear O&M, which is the  
22 \$73.5 million below.

23 Q. Okay. So that's the total amount. Now, my  
24 next question is, even if we're looking at throughout  
25 your schedules of what percent maintenance is of the

1 total O&M, is there any correlation between a  
2 percentage increase in the operation expense going up  
3 and the maintenance expense going up?

4 A. I'm sorry. Could you --

5 Q. Well, is there any correlation if -- if you  
6 look from '97 to '98 --

7 A. Yes.

8 Q. -- and the nuclear operation expense goes  
9 from 53 to 57, maintenance goes from 17 and then it  
10 goes down to 16, is there any correlation between the  
11 two at all? Are they independent?

12 A. Not totally, but that's more with regard to  
13 the coal plants. With the nuclear plants, they --  
14 they are more independent.

15 Q. All right. If we go to transmission on 5 --

16 A. Yes.

17 Q. -- is there going to be any correlation or  
18 independence between operation and maintenance expense  
19 here and the direction they go and the degree of that  
20 direction?

21 A. I'm sorry, Commissioner. I guess I don't  
22 understand your question.

23 Q. Well, if transmission operations goes from  
24 8.1 to 8.5 --

25 A. Correct.

1 Q. -- and maintenance goes from 1.3 to  
2 almost --

3 A. To 900,000.

4 Q. Yes.

5 A. Uh-huh.

6 Q. There's a degree of change?

7 A. Yes.

8 Q. One's increased by a certain degree, if we  
9 had a calculator, certain percentage. Maintenance is  
10 decreased by a certain percentage or degree.

11 A. Uh-huh.

12 Q. What I'm asking is, is there any  
13 relationship? Is operation expense and maintenance  
14 expense independent of each other?

15 A. Operation expense is not independent of  
16 maintenance expense. For example, if there's new  
17 facilities put in place, for instance if, for example,  
18 there's new transmission facilities put in place,  
19 there would be a greater expense to operate those  
20 facilities, but because they're new facilities there  
21 would be a lower maintenance expense. So in that case  
22 you would see operation expense increasing,  
23 maintenance expense decreasing.

24 Q. So when I look at operation and maintenance  
25 expenses in these tables, that in itself isn't enough

1 for me to know without knowing what type of plant's  
2 behind them?

3 A. That's correct.

4 Q. All right. So in and of itself if there's a  
5 decrease, there may be --

6 A. It may be because there's new plant in  
7 service that requires less maintenance.

8 Q. Okay. Now, I had one other question on  
9 Schedule 7-3.

10 A. Yes, ma'am.

11 Q. Under the maintenance expense from '97 to  
12 '98 --

13 A. Yes.

14 Q. -- why does that go up so much? Why does it  
15 go up \$34 million?

16 A. It's an increase in the miscellaneous  
17 expenses, and as a matter of fact I even checked that  
18 this morning, but according to FERC Form 1, that's  
19 what KCPL reports.

20 Q. But what would that miscellaneous expense  
21 be?

22 A. I'm uncertain what that would be.

23 Q. This is from KCP&L's FERC Form 1?

24 A. This is from KCPL's FERC Form 1 data, yes,  
25 ma'am.



1 Q. Okay. Well, maybe someone from the company  
2 can tell me what that large increase is about.

3 And then my final question is, with respect  
4 to -- you filed your cross-surrebuttal, had some  
5 recent statements from Ms. Eldridge. We received a  
6 surrebuttal from Mr. Norwood, who analyzed  
7 Ms. Eldridge's benchmarking analysis. And I would  
8 like to know, you stated that you read Mr. Norwood's  
9 surrebuttal testimony?

10 A. Yes, I did.

11 Q. Could you tell me, did you take any  
12 exception to his statements or any agreement to his  
13 statements with respect to his analysis of the fatally  
14 flawed and then the documented peer group analysis  
15 done by Ms. Eldridge in his words?

16 A. In my cross-surrebuttal testimony I  
17 acknowledge some of the deficiencies in the study that  
18 Mr. Norwood also cites.

19 Q. Please tell me about such a deficiency that  
20 you believe is in the study.

21 A. On page 2 of my cross-surrebuttal  
22 testimony --

23 Q. Yes.

24 A. -- I state that, Even under the best  
25 circumstances, starting at line 13, similar -- and by

1 similar I say design, manufacturer, vintage,  
2 capacity. Units operated under similar conditions can  
3 have different operating characteristics because of  
4 fuel mixes, loading and dispatching conditions, market  
5 pressures, competitive markets versus rate of return  
6 regulation, random outages.

7 And Mr. Norwood also points out that  
8 that's -- that he believes that that's a deficiency in  
9 the study.

10 Q. Do you believe that because there can be an  
11 atypical behavior of any one plant in a study, that  
12 the study was fatally flawed or did it have value for  
13 us?

14 A. I do not believe that the study was fatally  
15 flawed, and I believe that the analysis does have some  
16 value.

17 Q. And that value would be?

18 A. It gives us an indication on how KCPL's  
19 units behave relative to similar, and be careful -- I  
20 mean, I'm trying to be careful with similar, but in  
21 terms of capacity, coal-fired generation capacity, how  
22 the KCPL units behave with regard to other units that  
23 are out there.

24 Q. That are similar?

25 A. Yes.

1 COMMISSIONER DRAINER: I have no other  
2 questions. Thank you.

3 JUDGE THOMPSON: Thank you, Vice Chair  
4 Drainer. Commissioner Murray?

5 COMMISSIONER MURRAY: Thank you.

6 QUESTIONS BY COMMISSIONER MURRAY:

7 Q. Good morning, Dr. Lissik.

8 A. Good morning.

9 Q. In your testimony you recommend that, in  
10 terms of declining availability, that if the  
11 Commission -- let me see how you worded it -- should  
12 the Commission determine that there's a strong but not  
13 conclusive basis for GST's allegation of declining  
14 unit availability we should order a formal Staff  
15 investigation.

16 And it seems that even in your  
17 cross-surrebuttal you still come up with the same  
18 recommendation that if we find a strong basis for that  
19 allegation, that we should order Staff to do an  
20 investigation.

21 And I'm wondering, after your examination of  
22 the evidence and the degree of study that you have  
23 done on the issue, would Staff independently recommend  
24 that the Commission open an investigation?

25 A. Again, that's -- that's a decision for the

1 Commissioners to make. I will state that in my  
2 cross-surrebuttal testimony, based on the equivalent  
3 availability factors of KCPL generating units and the  
4 high capacity factors, Staff does not see an immediate  
5 problem with the generating units, again setting aside  
6 Hawthorn 5.

7 With regard to transmission and  
8 distribution, our department has not seen, to my  
9 recollection, any complaints concerning major outages  
10 affecting customers on KCPL's system.

11 Q. So absent this particular case, Staff would  
12 not be coming to the Commission and filing a  
13 recommendation that we open an investigation; can I  
14 take that as an accurate statement?

15 A. Yes, ma'am.

16 Q. And in terms of your recommendation to delay  
17 a decision in this case respecting Hawthorn 5 pending  
18 the outcome of Staff's independent investigation, why  
19 should we delay a finding in this case based on  
20 Hawthorn 5?

21 A. The reason for that Staff recommendation is  
22 because there is a separate docket that Staff is using  
23 to gather its own facts with regard to the Hawthorn 5  
24 investigation. We believe that there may be more  
25 facts forthcoming as we continue our investigation.

1       So the information may be incomplete.

2           Q.     So I guess that would depend on whether we  
3       consider the investigation as to Hawthorn 5 relevant  
4       to the decision in this case?

5           A.     I believe so.

6                   COMMISSIONER MURRAY:  Thank you.  That's all  
7       my questions.

8                   JUDGE THOMPSON:  Thank you, Commissioner  
9       Murray.  Commissioner Schemenauer?

10                   COMMISSIONER SCHEMENAUER:  Thank you, your  
11       Honor.

12       QUESTIONS BY COMMISSIONER SCHEMENAUER:

13           Q.     Good morning, Dr. Lissik.

14           A.     Good morning, Commissioner Schemenauer.

15           Q.     Just a few questions.

16                   KCP&L does not operate the Wolf Creek  
17       facility?

18           A.     No, they don't.

19           Q.     Why would we look at that in any of this  
20       data, then, I mean, if they don't operate it, they  
21       don't maintain it, they don't have their employees  
22       there, it's not subject to their management and  
23       control?

24           A.     Wolf Creek provides a significant amount of  
25       KCPL's baseload generation.

1 Q. I agree.

2 A. And so thus my understanding from GST's  
3 complaint prior to this hearing and their surrebuttal  
4 testimony, they made allegations concerning KCPL's  
5 declining unit availability and reliability, and they  
6 did not specifically single out Wolf Creek.

7 Q. Okay. I guess what I want to -- what I want  
8 to determine is, if the question or the allegation by  
9 GST is that KCP&L's management policies were imprudent  
10 and negligent, then wouldn't we just want to look at  
11 those power plants that they operate and have control  
12 over and not those that they don't have control over?

13 A. Yes.

14 Q. The four operating plants that they control,  
15 according to your Schedule 7, it looks like they've  
16 decreased the number of employees by about 23 percent?

17 A. Let me look at Schedule 7, please.

18 Q. During that period '94 to '98.

19 A. You're referring to my rebuttal testimony,  
20 Commissioner?

21 Q. Yes. You've got some data from '71 to '75,  
22 and the number of employees at all four of the plants  
23 have decreased with the exception of Wolf Creek.

24 A. Okay.

25 Q. Is that significant if you're looking at the

1 condition or the average time the plant's been on  
2 line?

3 A. It's hard to say based on the FERC Form 1  
4 data. As was pointed out yesterday, there could be  
5 contract employees that fill in in place of regular  
6 employees.

7 Q. So you wouldn't think that would be very  
8 significant?

9 A. It may or may not be. There's not enough  
10 information to tell.

11 Q. You indicate in your rebuttal testimony that  
12 the allegations are serious that are raised against  
13 KCP&L, although there's no conclusive basis for them  
14 at this time.

15 What if we made a decision in this case and  
16 we have an open case on the Hawthorn accident, in the  
17 Hawthorn accident would the Commission be presented  
18 more conclusive evidence of whether or not there was  
19 any negligence or imprudence on the part of KCP&L?

20 A. I can't say for certain that the Commission  
21 would be presented more conclusive evidence because  
22 the investigation is not complete.

23 Q. No, but my question is, would we be asked to  
24 determine that in the other case, whether or not there  
25 was negligence or imprudence on the part of KCP&L?

1           A.     With regard to the other units?

2           Q.     With regard to Hawthorn.

3           A.     I'm sorry, Commissioner. Could you state  
4 your question again?

5           Q.     We have a case open, I believe, on the  
6 investigation of the accident at Hawthorn.

7           A.     Yes.

8           Q.     If we don't make a decision on GST's  
9 allegations of imprudence and negligence in this case,  
10 is the Commission -- will the Commission be required  
11 or be asked to do that in the other case or will the  
12 accident case deal only with Hawthorn?

13          A.     The other case deals only with the Hawthorn  
14 investigation, and to my knowledge the Commission thus  
15 far has not been asked to make or would be asked to  
16 make a prudence decision in that docket at this time.

17          Q.     Okay. So the only opportunity that the  
18 Commission has to evaluate whether or not there has  
19 been any negligence or imprudence in the operation of  
20 all the plants, including the Hawthorn plant, would be  
21 in this case?

22          A.     I believe that's correct.

23                   COMMISSIONER SCHEMENAUER: Thank you.  
24 That's all I have.

25                   JUDGE THOMPSON: Thank you, Commissioner



1       Schemenauer.   Commissioner Murray?

2       FURTHER QUESTIONS BY COMMISSIONER MURRAY:

3           Q.       In regard to the Hawthorn plant, did you  
4       hear Mr. Ward's testimony?

5           A.       Yes, I did.

6           Q.       And did you read his testimony?

7           A.       Yes, I have.

8           Q.       In that GST is alleging that KCPL acted  
9       improperly regarding the Hawthorn explosion.   Do you  
10      think that GST has presented evidence sufficient in  
11      this case since they have the burden to prove  
12      something that they're alleging to show that there was  
13      imprudence and negligence perhaps on the part of KCP&L  
14      regarding the Hawthorn explosion?

15          A.       Commissioner Murray, regarding burden of  
16      proof, that's -- I'm not an attorney.   So it's  
17      difficult for me to answer that question.

18          Q.       Well, let me ask it this way.   Did you find  
19      persuasive evidence in the testimony that was  
20      presented to show that KCP&L had provided evidence  
21      that there was -- provided enough evidence to  
22      substantiate their claims regarding the Hawthorn  
23      explosion?

24          A.       KCPL or GST?

25          Q.       I'm sorry.   GST.

1           A.     After reviewing GST's testimony and  
2     listening to Mr. Ward's testimony, personally I still  
3     have questions, and again there's -- you know,  
4     hopefully the other case will answer those questions.

5           Q.     Okay. But from the testimony that was  
6     presented, what we have on the record here, I can  
7     assume that that means you're not yet convinced?

8           A.     That's correct.

9           COMMISSIONER MURRAY: Thank you.

10          JUDGE THOMPSON: Further questions from the  
11     Bench?

12     QUESTIONS BY JUDGE THOMPSON:

13          Q.     Dr. Lissik, I have one question. With  
14     respect to your rebuttal testimony, pages 10 to 11  
15     where you indicate, running from the bottom of 10 over  
16     to the top of 11, Staff finds the increase in  
17     unavailable capacity from 2064 -- is that megawatts --  
18     in 1994 to 4608 megawatts in 1998 to be significant.  
19     Do you see that line?

20          A.     Yes.

21          Q.     Okay. In what way does Staff find that to  
22     be significant?

23          A.     Well, clearly -- and this is referring to  
24     unavailable capacity due to unplanned outages and  
25     deratings at the time of monthly peak demands. The

1 number more than doubles from 1994 to 1998.

2 Q. Yes, I see that. So it is significant due  
3 to the magnitude of the change, is that the  
4 significance?

5 A. Yes.

6 Q. Okay. And then it seems as though you go on  
7 to say that, although the magnitude is significant,  
8 that you're unable to draw any conclusions because  
9 certain information is unavailable; is that correct?

10 A. That's correct.

11 Q. Why is that information necessary to draw  
12 any conclusions about that change of that magnitude?

13 A. For example, in nonpeak months, April, May,  
14 September, October, November, when the unit -- when  
15 KCPL is nowhere near its peak demand, the  
16 unavailability of those units, it really doesn't  
17 matter if there's a lot of capacity that's not  
18 available because there's not a lot of capacity  
19 needed.

20 Q. Okay.

21 A. And so when you look at the number in total,  
22 even though the distribution is -- or even though the  
23 number changes by more than two-fold, the distribution  
24 of how that changes throughout the year may affect  
25 that number.

1 Q. So if this analysis were confined to, say,  
2 peak demand months --

3 A. Yes.

4 Q. -- rather than entire year, then you would  
5 be able or perhaps you would be more able to draw  
6 conclusions from whatever sort of change that analysis  
7 might show?

8 A. That's correct.

9 JUDGE THOMPSON: Okay. Thank you. Vice  
10 Chair Drainer?

11 FURTHER QUESTIONS BY COMMISSIONER DRAINER:

12 Q. I just want to follow up to clarify. When  
13 you talk about being significant, were you using the  
14 term significant just to mean that it was a noticeable  
15 change or were you using significant in that you had  
16 done a statistical analysis? Was it something more  
17 than just a percentage change?

18 A. It was just a noticeable change.

19 Q. Okay. And the other thing I would note is  
20 you mentioned the off-peak months as April and May. I  
21 think I've been in spring since January. So I imagine  
22 even if we look at months, we have to look at weather  
23 patterns and what was really happening in this  
24 wonderful state of Missouri?

25 A. That's correct.

1 COMMISSIONER DRAINER: Okay. Thank you.

2 JUDGE THOMPSON: Chair Lumpe?

3 CHAIR LUMPE: Can I follow up on that, too?

4 FURTHER QUESTIONS BY CHAIR LUMPE:

5 Q. Because the information was not available,  
6 didn't want to give too much significance. Was there  
7 a reason not to do that analysis or is that something  
8 that the next case will tell us about?

9 A. We just recently received the data that  
10 supports that, that supports Mr. Ward's schedule. I  
11 believe it's Schedule 5 in his direct testimony. So  
12 we've looked at that. I haven't been able to do any  
13 analysis on that data, but I believe I received that  
14 schedule last week or perhaps late week before last.

15 Q. So the question, the three questions that  
16 you raise there you now have --

17 A. I believe --

18 Q. -- information that would tell us more?

19 A. I believe I do.

20 CHAIR LUMPE: Okay. Thank you.

21 JUDGE THOMPSON: Further questions from the  
22 Bench? We can go off the record just for a moment.

23 (Discussion off the record.)

24 JUDGE THOMPSON: We can go back on the  
25 record now.

1                   Recross. I thought I saw Mr. Coffman  
2                   hovering in the back of the room at one point, but I  
3                   see he has left again. Mr. Dority?

4                   MR. DORITY: Thank you, your Honor.

5                   RECROSS-EXAMINATION BY MR. DORITY:

6                   Q.     Just a couple questions, Dr. Lissik.  
7                   Commissioner Schemenauer asked you about Wolf Creek  
8                   and its operations. Is it your understanding that  
9                   KCPL owns 47 percent of Wolf Creek?

10                  A.     That's correct.

11                  Q.     Is it also your understanding that there is  
12                  a Wolf Creek Operating Company that is the actual  
13                  corporate entity that operates the plant on a daily  
14                  basis?

15                  A.     I believe that's correct.

16                  Q.     Is it also your understanding that KCPL  
17                  representatives are on the board of directors of the  
18                  Wolf Creek Operating Plant Company and has a role  
19                  directing the management of that entity?

20                  A.     I don't know that.

21                  Q.     Okay. Commissioner Schemenauer also posed  
22                  some questions to you regarding the issues of prudence  
23                  and management or mismanagement and the Commission's  
24                  opportunity to address those issues.

25                  Based upon your tenure with the Missouri

1 Public Service Commission Staff, would it be your  
2 understanding that those types of issues would  
3 normally be addressed in future rate cases of this  
4 company, Kansas City Power & Light?

5 A. Clearly prudence issues are addressed in  
6 rate cases.

7 MR. DORITY: Thank you, Dr. Lissik.

8 JUDGE THOMPSON: Thank you, sir.

9 MR. DORITY: Actually, there is just one  
10 more follow-up.

11 BY MR. DORITY:

12 Q. On the reference to your Schedule 7-3 to  
13 Exhibit 9, your rebuttal testimony --

14 A. Uh-huh.

15 Q. -- I just want to be sure I understand what  
16 may be an apparent discrepancy here. Looking at the  
17 Iatan unit, the maintenance expenses between 1997 and  
18 1998.

19 A. Correct.

20 Q. It was my understanding that you indicated  
21 that that information came from KCPL's Form 1?

22 A. Yes, sir, it did. I believe I have it here.

23 MR. DORITY: May I approach the witness?

24 JUDGE THOMPSON: You may.

25 THE WITNESS: If I can just find Iatan's.

1 It's here. Here we go. I believe the 34 -- the  
2 34,906,759 looked like the total production expenses.  
3 So I believe what happened is for total maintenance  
4 expenses we summed all of those numbers and then just  
5 took the other projection expenses, categorized it as  
6 miscellaneous.

7 BY MR. DORITY:

8 Q. So you summed these and came up with this  
9 amount?

10 A. No, no, no, no, no. This amount plus these  
11 numbers total this amount (indicating).

12 Q. Okay.

13 A. I think -- it's hard to read.

14 MS. SHEMWELL: Dr. Lissik, it's going to be  
15 very difficult for the record for anybody to know what  
16 you're referring to and what numbers you're summing.

17 THE WITNESS: That's the source of that  
18 number.

19 JUDGE THOMPSON: When you say that's the  
20 source of that number, what are you referring to?

21 THE WITNESS: I'm sorry. FERC Form --  
22 Kansas City Power & Light FERC Form 1, 1998,  
23 page 402.1, line 33.

24 JUDGE THOMPSON: Thank you.

25 THE WITNESS: We have entered here total



1 production expenses of \$34,906,579, and I believe what  
2 we've done is we've categorized that as -- we've put  
3 that in as miscellaneous because we don't know what  
4 those other production expenses are, but then to that  
5 we've also summed the maintenance expenses, which are  
6 Kansas City Power & Light FERC Form 1, 1998, page 402,  
7 lines 28 through 32.

8 JUDGE THOMPSON: Okay. Well, when I look at  
9 your Schedule 7-3 and I see that listed as  
10 miscellaneous under the heading of maintenance  
11 expenses, so it appears from your Schedule 7-3 that  
12 that \$34.9 million is a miscellaneous maintenance  
13 expense. Am I mistaken in drawing that conclusion?

14 THE WITNESS: No. You're reading that  
15 correctly. That may be an error.

16 JUDGE THOMPSON: So they are, in fact, some  
17 other sort of expenses?

18 THE WITNESS: Well, how it's listed here is  
19 total production expenses.

20 JUDGE THOMPSON: Okay. So I mean, could  
21 that include fuel?

22 THE WITNESS: Yes, it could.

23 JUDGE THOMPSON: So if it, in fact, included  
24 fuel, it would be very misleading to think of it as a  
25 maintenance expense; isn't that right?

1 THE WITNESS: That's correct.

2 JUDGE THOMPSON: Thank you for clarifying  
3 that. Mr. Dority, anything else?

4 MR. DORITY: Just a moment, your Honor,  
5 please.

6 MR. BREW: May I approach and see the  
7 document?

8 JUDGE THOMPSON: You may.

9 THE WITNESS: This is what we've done here  
10 is we've taken maintenance and engineering and  
11 supervision, so 119. But then this number here, the  
12 total production expenses is listed as miscellaneous,  
13 and I don't think that's --

14 MR. BREW: Fuel is reported up here.

15 THE WITNESS: Yeah, fuel is reported up  
16 there. Sorry for the confusion.

17 JUDGE THOMPSON: That's quite all right.  
18 This is a complicated matter.

19 Let's go off the record.

20 (Discussion off the record.)

21 BY MR. DORITY:

22 Q. Dr. Lissik, you indicated in response to a  
23 question from the Bench that you thought there might  
24 be an error; is that correct?

25 A. I'm going to have to go back and look at my

1 spreadsheet, but that's correct.

2 MR. DORITY: Thank you, Dr. Lissik. Thank  
3 you, Judge. That's all I have.

4 JUDGE THOMPSON: Thank you, Mr. Dority.  
5 Mr. Brew?

6 MR. BREW: Yes.

7 RECROSS-EXAMINATION BY MR. BREW:

8 Q. Dr. Lissik, with respect to the matter that  
9 you were just discussing, on the FERC Form 1, is the  
10 cost of fuel reported on a separate line?

11 A. Yes, it is.

12 Q. Which line is that?

13 A. Cost of fuel is reported on line 19.

14 Q. Okay. Separate from the line that you were  
15 just talking about with Mr. Dority?

16 A. Yes, that's correct.

17 Q. Thank you.

18 Does the Form 1 also separately report the  
19 cost of fuel per unit and separately report the  
20 quantities of fuel by fuel type?

21 A. It reports the cost of fuel by unit. Now,  
22 what was the other?

23 Q. Strike that. Cost of fuel by unit. So the  
24 cost of fuel would not be shown on FERC Form 1 under  
25 maintenance expense; is that correct?

1           A.     That's correct.

2           Q.     Thank you.

3                   Commissioner Schemenauer asked you about  
4     your Schedule 7 with respect to the average number of  
5     employees, and you indicated, I believe, that your  
6     source was FERC Form 1?

7           A.     Yes.

8           Q.     Can you tell me whether or not you have any  
9     reason to believe that the data supplied in the FERC  
10    Form 1 study isn't consistent from year to year in  
11    terms of how it's reported?

12          A.     Could you ask that again, please?

13          Q.     As far as you know, the FERC Form 1 report  
14    that you studied with respect to the average number of  
15    employees per unit, is that reported by the utilities  
16    consistently from year to year?

17          A.     I believe it should be.

18          Q.     Thank you.

19                   Okay. In response to your discussion with  
20    Commissioner Murray as to the fact that you're not yet  
21    convinced with respect to the matters in this record,  
22    I do have some questions for you, and I wanted to go  
23    back to your, if I could, your rebuttal testimony.

24          A.     Okay.

25          Q.     On page 6, please, of the rebuttal.

1 A. Yes.

2 Q. Now, on lines 20 to 22 you state that you  
3 reviewed basically the data requests exchanged in this  
4 case?

5 A. Yes.

6 Q. And the FERC Form 1 data as well as the  
7 contract-specific information relating to special  
8 contract with GST and KCPL?

9 A. Uh-huh.

10 Q. And basically work papers of the parties in  
11 this case?

12 A. Correct.

13 Q. Is that a complete statement of the  
14 materials you reviewed?

15 A. I believe so.

16 Q. Okay. Ms. Lissik, have you ever known a  
17 Missouri power plant to blow up before?

18 A. Not in my tenure with the Commission, no.

19 Q. If KCPL's actions or inactions created  
20 unsafe conditions that could cause a boiler explosion  
21 to blow up a plant, would that be unreasonable and  
22 imprudent?

23 MR. FISCHER: Objection. Calls for a legal  
24 conclusion, your Honor.

25 JUDGE THOMPSON: Mr. Brew?

1 BY MR. BREW:

2 Q. Your recommendations -- your recommendations  
3 as to the --

4 JUDGE THOMPSON: Is the question withdrawn?

5 MR. BREW: No. I'm going to rephrase it.

6 JUDGE THOMPSON: Very well.

7 BY MR. BREW:

8 Q. Your recommendation in response to  
9 Commissioner Murray that in your view the -- you were  
10 not convinced yet that the record was sufficient on  
11 the prudence issues was what I wanted to address.

12 A. Okay.

13 Q. And the question is essentially -- let me  
14 step back.

15 You had indicated at one point that you  
16 thought the Staff investigation might produce other  
17 facts?

18 A. That's correct.

19 Q. Okay. Would you agree that if KCPL actions  
20 or inactions created unsafe conditions that can cause  
21 the boiler explosion, would that be sufficient in your  
22 mind to establish that they had acted in an  
23 unreasonable and unsafe manner?

24 A. Would you repeat the question, please?

25 Q. If the record established that Kansas City

1 Power & Light's actions or failures to act created an  
2 unsafe condition that caused a boiler explosion, would  
3 that, in your opinion, be sufficient to provide a  
4 conclusion that they acted in an unsafe and  
5 unreasonable manner?

6 A. I don't know that it would be sufficient. I  
7 just don't.

8 Q. Is KCPL supposed to operate its plants in a  
9 safe and reliable manner?

10 A. Yes, it is.

11 Q. If they fail to operate in a safe and  
12 reasonable manner, is that unreasonable?

13 A. Yes, it is.

14 Q. If they create an unsafe condition, is that  
15 unreasonable?

16 A. Yes, that is unreasonable.

17 Q. Thank you.

18 Do you agree that accumulated gas in the  
19 Hawthorn boiler caused the catastrophic explosion a  
20 year ago February?

21 A. I believe that's the case. I'm not -- I'm  
22 not involved in the Hawthorn investigation, but I  
23 believe that, yes, it was an accumulation of natural  
24 gas in the boiler.

25 Q. You're not involved in the Hawthorn

1 investigation?

2 A. That's correct.

3 Q. Do you have any knowledge of the Hawthorn  
4 boiler explosion apart from the materials you reviewed  
5 in this case?

6 A. No, I do not.

7 Q. So your --

8 A. Excuse me. Other than the information  
9 that's also been filed, there have been two interim  
10 reports that were filed in the other case.

11 JUDGE THOMPSON: You may approach, Mr. Brew.

12 MR. BREW: Thank you, your Honor.

13 BY MR. BREW:

14 Q. Is this document labeled an Incident  
15 Investigation Interim Report one of those documents?

16 A. Yes, it is.

17 Q. Does the document that I just showed you,  
18 are you familiar with it?

19 A. I'm familiar with it.

20 Q. Did you help in its preparation?

21 A. No, I did not.

22 Q. Okay. Do you know if in that document Staff  
23 offers any opinions one way or the other as to the  
24 cause of the boiler explosion?

25 A. I believe that the Staff offers that it's a



1 natural gas explosion.

2 Q. Thank you.

3 Have you reviewed Mr. Ward's testimony in  
4 this case?

5 A. Yes, I have.

6 Q. And the attached appendices?

7 A. Yes.

8 Q. Thank you.

9 Would you agree that statements from  
10 employees on the site witnessed a fireball where the  
11 boiler should have been after the explosion?

12 A. That's what the statements indicate.

13 Q. Do you have any contrary information that  
14 such a fireball did not exist?

15 A. I have no contrary information.

16 Q. Okay. Would you agree that those statements  
17 also indicate that the fireball continued until KC  
18 employees continued the main gas valve?

19 A. That's again what the statements indicate.

20 Q. And you have no contrary information?

21 A. That's correct.

22 Q. Thank you.

23 Have you reviewed the information with  
24 respect to the burner management system?

25 A. In Mr. Ward's testimony?

1 Q. Yes.

2 A. Yes, I have.

3 Q. Thank you.

4 Is it your understanding that if that system  
5 were functioning properly and fuel began to enter the  
6 boiler --

7 MR. DORITY: Your Honor, excuse me. I'd  
8 like to make an objection. I thought this was in  
9 response to the questions from the Bench. This  
10 certainly could have been covered in his first round  
11 of questioning. I think we're going back again now  
12 asking Dr. Lissik about Mr. Ward's prefiled testimony  
13 in this case.

14 JUDGE THOMPSON: Response?

15 MR. BREW: Commissioner Murray asked the  
16 witness whether she considered the record in this case  
17 to be sufficient, and the witness said that she wasn't  
18 convinced. And I'm trying to get to what facts she  
19 finds incomplete or inadequate, and I know of no other  
20 way to address that than to go over the facts of the  
21 case.

22 JUDGE THOMPSON: Mr. Dority, in view of the  
23 nature of Commissioner Murray's questions, I think  
24 this line of questioning is appropriate. So I will  
25 overrule the objection.

1                   Please proceed.

2       BY MR. BREW:

3           Q.     I'll repeat the question. Dr. Lissik, if  
4       the burner management system at Hawthorn were  
5       functioning properly and gas began to enter the  
6       boiler, what happens?

7           A.     I'm not an expert on the burner management  
8       system, but if it's functioning properly, then gas  
9       would enter the boiler.

10          Q.     And if conditions were not proper, meaning  
11       there were no flame or other conditions listed that  
12       the system were designed to address, wouldn't there be  
13       a master fuel trip that would automatically close  
14       valves to the boiler?

15          A.     That's my understanding from Mr. Ward's  
16       testimony.

17          Q.     Are you aware from the testimony in this  
18       record as well that the burner management system was  
19       entrained in water and sewage as a result of the  
20       sewage overflow in the control room?

21          A.     My understanding is that there was water in  
22       the burner management system.

23          Q.     Are you aware as well that KCPL employees  
24       were in the process of drying, cleaning and repairing  
25       components to the burner management system throughout

1 the afternoon and evening of February 16th?

2 A. That's what Mr. Ward states.

3 Q. And are you aware that a KCPL electrician  
4 was called in for the graveyard shift beginning at  
5 11 p.m. to replace another relay in that system?

6 A. I don't specifically. If you could point me  
7 to where that is in the testimony. I don't  
8 specifically recall the electrician.

9 Q. Just to save some time, we can go back if  
10 you want to, but would you accept subject to check  
11 that that information is in the statements attached to  
12 Mr. Ward's surrebuttal?

13 A. Subject to check.

14 Q. Thank you.

15 Do you have any information that agrees with  
16 any of those statements with respect to the water  
17 damage to the BMS system or the employee efforts to  
18 clean up and dry that system on that day?

19 A. Any of whose statements?

20 Q. The statements introduced as appendices from  
21 the KCPL employees?

22 A. Okay. Now, what was the question again?

23 Q. Do you have any reason to disagree with any  
24 of the statements offered by those employees?

25 A. No, I don't.

1 Q. Thank you. Dr. Lissik, if electronic  
2 components are exposed to water, is it possible that  
3 the components will malfunction?  
4 A. It's possible.  
5 Q. Is it likely?  
6 A. I don't know.  
7 Q. Is it possible that if they malfunction that  
8 they'll stop working altogether?  
9 A. It's possible.  
10 Q. Is it possible that they could send out  
11 erroneous alarms?  
12 A. I suppose it's possible.  
13 Q. Is it possible that they can send out  
14 erroneous signals?  
15 A. Possible.  
16 Q. Can you predict in advance which, if any, of  
17 these malfunctions would occur?  
18 A. Or if any malfunctions would occur.  
19 Q. That's fine. So the answer to my question  
20 was yes -- or excuse me, the answer to my question was  
21 no, you could not predict?  
22 A. Could not predict.  
23 Q. Thank you.  
24 If you could not predict how prudent  
25 managers would respond to water damage to electronic

1 components, would reasonably prudent utility managers  
2 take precautions to make sure that the plant remained  
3 in a safe condition while that equipment was repaired?

4 A. Yes.

5 Q. Thank you.

6 MR. BREW: May I approach, your Honor?

7 JUDGE THOMPSON: You may approach.

8 MR. BREW: Your Honor, I'd like to show the  
9 witness a document and mark it as an exhibit for  
10 identification.

11 JUDGE THOMPSON: Very well. Kellene, I  
12 think we're up to No. 21.

13 MR. FISCHER: Counsel, is this the same  
14 exhibit that's already been attached to the testimony  
15 of Mr. Ward?

16 JUDGE THOMPSON: Do we have sufficient  
17 copies for the Commissioners?

18 MR. BREW: I just want to make sure we  
19 haven't already marked it.

20 JUDGE THOMPSON: Okay. Why don't we go off  
21 the record for a moment? In fact, why don't we take a  
22 ten-minute recess?

23 (A recess was taken.)

24 JUDGE THOMPSON: Dr. Lissik, you're still on  
25 the stand. I'm sure I don't have to remind you you're

1 still under oath.

2 Mr. Brew, I guess you're still at bat.

3 MR. BREW: Thank you, your Honor.

4 BY MR. BREW:

5 Q. Dr. Lissik, are you ready?

6 A. Sure.

7 Q. Dr. Lissik, the document that I handed you  
8 just before the break is Appendix 13 to Mr. Ward's  
9 testimony.

10 JUDGE THOMPSON: Kellene, have we gotten  
11 that marked?

12 MR. BREW: It's within the Ward surrebuttal.

13 JUDGE THOMPSON: Okay. So we don't need to  
14 mark it. Thank you.

15 MR. BREW: I'm just getting it for  
16 reference.

17 THE WITNESS: Appendix or Exhibit 13? Okay.

18 BY MR. BREW:

19 Q. You got it?

20 A. Okay.

21 Q. Do you recall having seen this document  
22 before?

23 A. Yes.

24 Q. Okay. Now, do you agree with me that this  
25 document indicates that on 5:05 p.m. on February 13th,

1 KCPL employees closed and red tagged the Williams gas  
2 valve?

3 A. Yes, I do.

4 Q. Thank you.

5 And does it also show that at 0:10 a.m. on  
6 February 16th, that hold was released?

7 A. I believe it does.

8 Q. Okay. And are you aware that this was the  
9 procedure that KCPL followed for insuring that the --  
10 or for controlling or safeguarding against fuel going  
11 into the plant while the plant was shut down?

12 A. Yes.

13 Q. That this was their hold procedure that they  
14 followed to insure plant and worker safety?

15 A. Yes.

16 Q. Okay. And you have reviewed the discovery  
17 responses that KCPL has supplied to GST?

18 A. Yes.

19 Q. Okay. Is there any documentation from KCPL  
20 that you have seen that at any point after 0:10 on  
21 2/16 that KCPL reestablished a red hold on the  
22 Williams gas valve?

23 A. The discovery was voluminous, so I can't  
24 recall any particular document over the thousands of  
25 pages of documents that have been supplied.



1 Q. Okay. But you haven't seen any documents  
2 that show that that hold was ever reestablished?

3 A. Not that I recall at this time.

4 Q. If the burner management system was not  
5 functioning properly, do you know how KCPL could  
6 insure that gas could not enter the boiler?

7 A. Again, I'm not familiar with the burner  
8 management system or particularly the facilities in  
9 place to make that determination.

10 Q. Okay. But you would agree with me that  
11 their basic procedure was to tag closed the Williams  
12 gas valve?

13 A. In this instance, yes.

14 Q. Okay. Do you know if the Williams gas valve  
15 is electrically controlled or a manual valve?

16 A. I don't know that.

17 Q. Would you accept, subject to check, that  
18 it's a manual valve?

19 A. I would.

20 Q. At the time that the -- strike that.

21 Can I refer you to Exhibit 10 of Mr. Ward's  
22 surrebuttal?

23 A. Okay. I'm there.

24 Q. And would you agree that the document in  
25 this exhibit shows entries from the run-in retrieval

1 disk?

2 A. That's what it says.

3 Q. And that this indicates excerpts from pages  
4 of that disk showing when various alarms occurred?

5 A. I'm not familiar with exactly what this is  
6 showing.

7 Q. Okay. If you'll look at the first entry on  
8 page 26.

9 A. Yes.

10 Q. Would you agree that it indicates that at  
11 14:53 on February 16, that the fuel safety system lost  
12 AC power?

13 A. It says that fuel safety system AC lost. I  
14 guess if that's what that means, okay.

15 Q. Okay. And that the next entry shows that  
16 roughly seconds later that the fuel safety system AC  
17 loss was reset?

18 A. That's what it says.

19 Q. Would you agree that this occurrence  
20 coincides roughly with the observation of water into  
21 the burner management system, occurred at roughly the  
22 same time?

23 A. Roughly the same time.

24 Q. Okay. Now, at the point that KCPL employees  
25 observed that the burner management system was

1     entrained in water and they were receiving alarms from  
2     the burner management system, could KCPL tell, based  
3     on the information it received from the BMS, whether  
4     the plant was in a safe condition?

5           A.     Again, Mr. Brew, I'm not an expert on the  
6     BMS system. So it's hard for me to make an assessment  
7     of what KCPL should or should not have felt they could  
8     have determined because I'm just not familiar with the  
9     operation.

10          Q.     Okay. Fine. Let's take it a different way.  
11     In terms of your conclusions on this record, if the  
12     BMS was not functioning properly at this point and the  
13     system was entrained in water, could the company  
14     determine, based on BMS information, as far as you  
15     know, whether or not the plant was in a safe  
16     condition?

17          A.     I don't know.

18          Q.     We've gone over earlier the statements from  
19     the KCPL employees that they spent the latter part of  
20     the day on February 16th drying out, cleaning up,  
21     repairing and replacing various components of the  
22     burner management system; isn't that right?

23          A.     That's correct.

24          Q.     By nine o'clock that evening, if the burner  
25     management system was still not functioning properly,

1 would KCPL be able to tell based on signals from that  
2 system whether the plant was in a safe condition?

3 A. Again, I'm not familiar with the operation  
4 of the burner management system to be able to know  
5 what KCPL should know about that system.

6 Q. In terms of drawing -- your drawing  
7 conclusions in this case, do you know whether or not  
8 the malfunctioning of the BMS system at that point, at  
9 nine o'clock at night, allowed KCPL to determine one  
10 way or the other whether or not the plant was in a  
11 safe condition?

12 A. I don't know.

13 Q. Okay. Take it again 'til at midnight on  
14 February 16th and 17th. Do you have information or is  
15 your opinion in this case based on the conclusion that  
16 KCPL had the ability to determine whether or not the  
17 plant was in a safe operating condition?

18 A. Could you state that again, please?

19 Q. At midnight --

20 A. Okay.

21 Q. -- February 16th and 17th --

22 A. Uh-huh.

23 Q. -- based on your review of the information  
24 in this case, do you know whether or not KCPL could  
25 tell whether or not their plant was in a safe

1 operating condition?

2 A. Not based on the information in this case.

3 Q. Okay. Do you know at that point that the  
4 BMS system still was under repair?

5 A. I do not have that knowledge.

6 Q. Do you agree that the company had still  
7 called in an electrician to replace a relay system?

8 A. I think we discussed this. I think subject  
9 to check, okay.

10 Q. Okay. Let's go back to Exhibit 10.

11 A. Okay.

12 Q. I'd like to refer you to the entry at --  
13 well, the heading is page 40 --

14 JUDGE THOMPSON: If I could break in just  
15 for a moment, Commissioner, they're looking at  
16 Exhibit 10 in Exhibit No. 6, the surrebuttal testimony  
17 of Mr. Ward.

18 Go ahead, Mr. Brew.

19 THE WITNESS: Where it says page 40?

20 BY MR. BREW:

21 Q. Yes.

22 A. Yes.

23 Q. Okay. Would you agree that that entry shows  
24 that at 19:20, which is roughly 20 minutes after 7,  
25 that the MFT tripped?

1           A.     Yes.  It shows that the master fuel trip  
2     tripped.

3           Q.     Okay.  And that at 21:21 hours, that the MFT  
4     trip was reset?

5           A.     That's what it shows.

6           Q.     Do you know whether or not the MFT once it  
7     trips can be reset unless all conditions have been met  
8     under the burner management system if it's functioning  
9     properly?  Do you know?

10          A.     Not for certain.

11          Q.     Dr. Lissik, I'd like to refer you now to  
12     Exhibit 1 of Mr. Ward's surrebuttal, what would be  
13     page 3-9.

14          A.     Page 3-9?

15          Q.     Yes.

16          A.     I have page 3-1.

17          Q.     Keep going.

18          A.     Okay.  Exhibit 2?

19          Q.     I'm sorry.  I'm sorry.  I skipped over.  
20     It's Exhibit 3.  I'm sorry.  Exhibit 3, page 3-9.

21          A.     Okay.

22          Q.     Do you have it?

23          A.     Yes, I do.

24          Q.     And does that indicate -- would you agree  
25     that that's an excerpt from the Kansas City Power &

1 Light BMS Theory of Operations, which is on the title  
2 page of the exhibit?

3 A. Okay.

4 Q. And that the paragraph under Item C.1.C  
5 actions, reads, To reset the MFT condition --

6 A. Uh-huh.

7 Q. -- the operator must press the master reset  
8 push button or the master reset box on any of the  
9 screens of the E70 operator work stations. The trip  
10 condition is cleared only if the problem or unsafe  
11 condition has been resolved.

12 A. That's what it says.

13 Q. Do you have any reason to dispute this  
14 description of how the MFT process functions?

15 A. It states how to reset the MFT condition,  
16 but I don't know that it explains the process.

17 Q. Okay. Do you agree with the last sentence  
18 that I just read, that's an accurate statement of how  
19 an MFT is cleared?

20 A. Okay.

21 Q. All right. Dr. Lissik, do you know roughly  
22 when quantities of fuel, natural gas started flowing  
23 into the boiler on February 16th?

24 A. My recollection is around nine o'clock.

25 Q. 9, 9:30, somewhere in that time frame?

1           A.     That's my recollection.

2           Q.     And would you agree that from that point  
3     until the explosion, that each hour showed increasing  
4     quantities of gas going into the boiler?

5           A.     I believe that's correct. I believe  
6     Mr. Ward showed that in his exhibits.

7           Q.     And that's accurate as far as you know?

8           A.     As far as I know.

9           Q.     If gas was flowing into the boiler and there  
10    was an MFT trip, could KCPL reset the MFT without  
11    stopping the flow of gas to the boiler if the BMS was  
12    functioning properly?

13          A.     I don't know for certain because I'm not  
14    familiar with the details of operation of the BMS  
15    system.

16          Q.     Okay. Do you have any basis for disagreeing  
17    with Mr. Ward's testimony as to the function of the  
18    BMS system in the exhibits that he references?

19          A.     When you state the exhibits that he  
20    references, you mean Exhibit 3?

21          Q.     Exhibit 3 and I think Exhibit 1, yes.

22          A.     Okay.

23          Q.     The question was, did you have any basis for  
24    disagreeing with either of those documents or  
25    Mr. Ward's statement regarding those documents?



1           A.     I don't have any disagreement with those  
2 documents. Again, since they're only excerpts of the  
3 total document, I'm not sure if there's full  
4 information to determine Mr. Ward's --

5           Q.     Do you know if there's any portion of the  
6 document that we've labeled as Exhibit 3, which is the  
7 theory of operations of the BMS system, that otherwise  
8 addresses how to clear a master fuel trip?

9           A.     I don't know if there is or not.

10          Q.     And you studied that in the context of  
11 drawing your conclusions in this case?

12          A.     I only have the documents that Mr. Ward  
13 provided.

14          Q.     Thank you.

15                 Dr. Lissik, if the Williams main gas valve  
16 was open and the BMS system was under repair at  
17 nine o'clock or thereabouts on the 16th, would KCPL  
18 have known that gas was flowing into the boiler?

19          A.     I'm not certain.

20          Q.     Would they have any way of knowing whether  
21 the plant was in a safe condition?

22          A.     I have no way of knowing.

23                 MR. BREW: Your Honor, that's all I have.

24                 JUDGE THOMPSON: Thank you, Mr. Brew. I  
25 believe we are up to redirect.

1 MS. SHEMWELL: Thank you, your Honor.

2 REDIRECT EXAMINATION BY MS. SHEMWELL:

3 Q. Ms. Lissik, I believe Mr. Dority and perhaps  
4 one of the Commissioners referred to the term industry  
5 standards as it relates to KCPL's EAF. Do you agree  
6 that there are established industry standards?

7 A. I'm not aware of any established industry  
8 standards.

9 Q. Are you aware of anyone who sets standards  
10 for EAF for, let's say, steam units, steam boilers?

11 A. No.

12 MS. SHEMWELL: That's all I have. Thank  
13 you, your Honor.

14 JUDGE THOMPSON: Thank you. I think we're  
15 done with you, Dr. Lissik. We may have further  
16 questions, so please don't leave. Thank you.

17 Dr. Proctor.

18 MS. SHEMWELL: Thank you, your Honor. Staff  
19 would call Dr. Michael Proctor.

20 (Witness sworn.)

21 JUDGE THOMPSON: Take your seat. Please  
22 spell your name for the reporter.

23 THE WITNESS: Name is Michael S. Proctor,  
24 P-r-o-c-t-o-r.

25 JUDGE THOMPSON: Thank you. Please proceed,

1 Ms. Shemwell.

2 MS. SHEMWELL: Thank you, your Honor.

3 MICHAEL S. PROCTOR testified as follows:

4 DIRECT EXAMINATION BY MS. SHEMWELL:

5 Q. Mr. Proctor, would you state your business  
6 address, please.

7 A. My business address is P.O. Box 360,  
8 Jefferson City, Missouri. Work for the Missouri  
9 Public Service Commission.

10 Q. What do you do for the Commission?

11 A. I'm chief regulatory economist for the  
12 Commission.

13 Q. How long have you worked for the Commission?

14 A. I've worked for the Commission since 1977.

15 Q. Are you the same Dr. Michael S. Proctor who  
16 testified in this case in what has been marked Exhibit  
17 No. 8?

18 A. Yes, I am.

19 Q. Did you prepare that testimony or was it  
20 prepared at your direction?

21 A. I prepared that testimony.

22 Q. Do you have any changes or corrections to  
23 your testimony?

24 A. No, I do not.

25 Q. If we were to ask you -- if I were to ask

1       you the same questions today, would your answers be  
2       substantially the same?

3           A.     Yes, they would.

4           Q.     Is your testimony true and correct to the  
5       best of your knowledge?

6           A.     Yes, it is.

7                   MS. SHEMWELL: Your Honor, I would move for  
8       admission of Exhibit No. 8 into the record and offer  
9       the witness for cross.

10                  JUDGE THOMPSON: Thank you. Any objections  
11       to the receipt of Exhibit No. 8?

12                   (No response.)

13                  Hearing no objection, Exhibit No. 8 in its  
14       HC and NP versions is received and made a part of the  
15       record of these proceedings.

16                   (EXHIBIT NOS. 8 AND 8HC WERE RECEIVED INTO  
17       EVIDENCE.)

18                  JUDGE THOMPSON: Cross-examination,  
19       Mr. Coffman?

20                  MR. COFFMAN: No questions.

21                  JUDGE THOMPSON: Thank you. Kansas City  
22       Power & Light, who is going to be crossing?  
23       Mr. Fischer.

24                  MR. FISCHER: Thank you, your Honor.

25       CROSS-EXAMINATION BY MR. FISCHER:

1           Q.     Dr. Proctor, I've just got a few questions  
2     for you. You were involved in the original case,  
3     Case EO-95-67 in which the Commission reviewed and  
4     approved the contract between KCPL and GST which is  
5     the subject of this proceeding; is that right?

6           A.     That's correct.

7           Q.     And is it correct that the Staff recommended  
8     approval of that contract in that proceeding?

9           A.     That's correct.

10           MR. FISCHER: Your Honor, I'm about to go  
11     into some of his highly confidential information in  
12     the testimony, perhaps we should go in-camera.

13           JUDGE THOMPSON: We have a motion to proceed  
14     in-camera. Are there any objections?

15           Each of the parties needs to clear the room  
16     of anyone in their particular group who would need to  
17     leave at this time. Employees of the Commission, you  
18     may remain. You are bound by statute not to reveal  
19     anything you learn. If there are any members of the  
20     general public present, you will need to leave at this  
21     time.

22           Are the parties satisfied that the room is  
23     in a condition where we may proceed?

24           MS. SHEMWELL: Yes, your Honor.

25           (REPORTER'S NOTE: At this time, an

1 in-camera session was held, which is contained in  
2 Volume No. 8, Pages 366 through 401 of the  
3 transcript.)  
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1 (Witness sworn.)

2 JUDGE THOMPSON: Thank you, sir. Please  
3 take your seat and spell your name for the reporter,  
4 if you would.

5 THE WITNESS: My name is Scott Norwood,  
6 S-c-o-t-t, N-o-r-w-o-o-d.

7 JUDGE THOMPSON: Thank you, sir. Now, we  
8 have been in-camera for the testimony of Dr. Proctor.  
9 Are we going to continue in-camera?

10 MR. BREW: I don't believe so, your Honor,  
11 unless the parties have questions that would require  
12 that.

13 JUDGE THOMPSON: At this time, then, we will  
14 proceed in public session.

15 Go ahead, Mr. Brew.

16 DON SCOTT NORWOOD testified as follows:

17 DIRECT EXAMINATION BY MR. BREW:

18 Q. Mr. Norwood, would you please state your  
19 full name and address for the record.

20 A. My name is Don Scott Norwood. My address is  
21 919 Congress Avenue, Suite 800, Austin, Texas.

22 Q. And could you state by whom you are employed  
23 and for whom you're testifying in this proceeding?

24 A. I'm employed by GDS Associates, and I'm  
25 testifying on behalf of GST Steel Company in this

1 case.

2 Q. And did you submit surrebuttal testimony in  
3 this proceeding?

4 A. Yes, I did.

5 Q. And if I were to ask you the questions  
6 contained in that surrebuttal testimony, would your  
7 answers be the same today?

8 A. Yes.

9 Q. Do you have any corrections to that prefiled  
10 testimony?

11 A. No, I do not.

12 MR. BREW: Your Honor, I would ask that the  
13 exhibit for Mr. Norwood's testimony which we had  
14 previously identified as No. 7 be entered into the  
15 record, and the witness is available for  
16 cross-examination.

17 JUDGE THOMPSON: Thank you, Mr. Brew. Any  
18 objections to the receipt of Exhibit No. 7?

19 MR. REYNOLDS: No.

20 JUDGE THOMPSON: Hearing no objections,  
21 Exhibit No. 7 is received and made a part of the  
22 record of these proceedings.

23 (EXHIBIT NO. 7 WAS RECEIVED INTO EVIDENCE.)

24 JUDGE THOMPSON: Cross-examination,  
25 Ms. Shemwell?

1 MS. SHEMWELL: No questions for this  
2 witness. Thank you, your Honor.  
3 JUDGE THOMPSON: Thank you. Mr. Coffman?  
4 MR. COFFMAN: No questions.  
5 JUDGE THOMPSON: Thank you. KCPL, who's  
6 going to do this one?  
7 MR. REYNOLDS: I am.  
8 JUDGE THOMPSON: Mr. Reynolds, please  
9 proceed.  
10 CROSS-EXAMINATION BY MR. REYNOLDS:  
11 Q. Good morning, Mr. Norwood.  
12 A. Good morning.  
13 Q. My name is Jerry Reynolds and I represent  
14 Kansas City Power & Light in this case, and I have  
15 some questions for you.  
16 At the outset, it's true that you didn't  
17 file direct testimony in this case, so we'll just be  
18 referring to your surrebuttal testimony? You have  
19 filed surrebuttal testimony; is that correct?  
20 A. That's correct.  
21 Q. Okay. Do you have a copy of your testimony?  
22 A. Yes, I do.  
23 Q. Please turn to page 11, starting at line 7.  
24 A. Okay.  
25 Q. Okay. You suggest that KCPL should not have

1       averaged the performance of KCPL's units in 1994, '95  
2       and '96 years before and unrelated to GST's complaint  
3       with more recent and relevant decline in performance  
4       experienced in 1997 and 1998.

5               Is it your contention that a prudence  
6       examination should be limited to the years 1997 and  
7       1998?

8           A.     No.

9           Q.     Are you aware that in 1997 LaCygne 2  
10       experienced a significant outage?

11          A.     I don't recall that, no.

12          Q.     Okay. So are you aware that -- okay. So  
13       you're not aware that LaCygne 2 experienced a  
14       significant outage in 1997?

15          A.     No, I'm not.

16          Q.     So did you go beyond the statistics -- I  
17       mean, in looking at, in critiquing the benchmarking  
18       study that was submitted, did you go beyond the  
19       numbers and look at the actual reasons for the outage,  
20       the outages?

21          A.     I reviewed Ms. Eldridge's report, and there  
22       were some details presented in that report as to what  
23       caused the unavailability, but my primary focus was on  
24       her macro conclusions based upon her analysis.

25          Q.     Okay. So --

1           A.     I didn't get into the minutia of which plant  
2     may have had an outage due to what reason in what  
3     period, no.

4           Q.     Are you aware that she listed the reason for  
5     all significant outages in her testimony?

6           A.     Well, there was a point in her report where  
7     she talked about outages 60 days or longer.

8           Q.     That's correct.

9           A.     And I'm familiar with that, but I didn't  
10    focus on that in my testimony.

11          Q.     So then you don't recall that her testimony,  
12    her benchmarking study indicated that LaCygne 2 had a  
13    significant outage in 1997?

14          A.     I recall -- the only thing I recall about  
15    that section of her testimony was she concluded that,  
16    relative to peers, the company hadn't had an  
17    extraordinary number of what she called significant  
18    outages. So for outages of 60 days or greater, she  
19    concluded the company had performed about average  
20    compared to her industry standard.

21          Q.     Okay. I'll let you know where I'm heading  
22    with this.

23          A.     Okay.

24          Q.     It seems to me that what you did, as you  
25    mentioned, you looked at the macro numbers. It's

1 important to look at the underlying reasons why these  
2 outages occurred; would you agree with that?

3 A. That's correct.

4 Q. For instance, if the outage in 1997 that  
5 occurred at LaCygne 2 occurred because a vender  
6 improperly rebuilt the bearings that are used in that  
7 particular unit, that would be important for the  
8 Commissioners to know?

9 A. As would it be important for the Commission  
10 to know for the peer group what caused outages.

11 Q. I'm not talking about the peer group right  
12 now. I'm just trying to limit it right to --

13 MR. BREW: Your Honor, could you please  
14 allow the witness to finish the response that he  
15 started?

16 JUDGE THOMPSON: I think that --

17 MR. REYNOLDS: I have no objection. He can  
18 finish his statement.

19 JUDGE THOMPSON: Very well. What I was  
20 going to say is that our record will be most clear and  
21 will be easiest for the court reporter if each of us  
22 finishes what we're saying before the next statement  
23 or question then begins.

24 Please proceed.

25 MR. REYNOLDS: I understand.



1           THE WITNESS: Okay. Yes, it is important,  
2     and my point is, it's important to look at, if you're  
3     doing this type of comparative study, not what your  
4     units did but what other units did and specifics.  
5     Ms. Eldridge did try to do that. I'm not trying to do  
6     that.

7           All I've said is that, from a macro view, if  
8     you looked at the number of extended outages KCP&L had  
9     relative to the peers, there's conclusion in the  
10    report that they were about average. They didn't have  
11    an over-extended number of 60-day outages. I didn't  
12    focus on that in my testimony, and I'm not saying  
13    that's a reasonable conclusion, but that's what the  
14    report shows.

15   BY MR. REYNOLDS:

16       Q.     Okay. In preparation for your testimony,  
17    did you review GST's complaint, most recent complaint?

18       A.     At some point I did read the complaint, yes.

19       Q.     So you are aware that there have been  
20    allegations of mismanagement?

21       A.     Yes.

22       Q.     So at any particular outage, then, it's  
23    important to know whether it was KCPL's fault whether  
24    imprudent practices resulted in that particular  
25    outage; would you agree with that statement?

1           A.     If you're making a case of imprudence, I  
2     think it is important to look at specifics.

3           Q.     So if an outage occurred, let's say, at  
4     LaCygne 2 in 1997 and it was not -- and there was no  
5     determination that imprudence, that KCPL's imprudent  
6     practices resulted in this particular outage, wouldn't  
7     it be important for the Commissioners to know that the  
8     reason why that particular unit was out was because of  
9     a third party's actions and not because of KCPL's?

10          A.     Well, I think that depends on what you're  
11     evaluating. If someone had brought a claim that the  
12     operation of that unit was imprudent, yes, I think  
13     it's important to look at specifics.

14                 On the other hand, if you're looking at data  
15     from a macro level as the company's rebuttal was and  
16     trying to look at trends, it may not be important to  
17     look at the specifics, unless you're looking at  
18     specifics of other units, which you haven't done in  
19     your study.

20          Q.     Okay. Let's move on. Are you aware in 1998  
21     that Hawthorn 5 experienced a significant outage due  
22     to a steam pipe explosion?

23          A.     I do recall that in some of the testimony.

24          Q.     Okay. Do you have a copy of GST's  
25     complaint?

1           A.     No.

2           Q.     Okay.  Let me provide you with a copy.

3                   MR. REYNOLDS:  Permission to approach?

4                   JUDGE THOMPSON:  You may approach.

5       BY MR. REYNOLDS:

6           Q.     Paragraph 5, would you please read  
7       paragraph 5 into the record.

8           A.     Any time one of KCP&L's generating units is  
9       forced out of service and is replaced either by a more  
10      expensive unit or by more expensive off-system power,  
11      GST is immediately impacted by the increased cost of  
12      power.  For example, in August of 1998 a ruptured  
13      steam line at Hawthorn Generating Station Unit No. 5,  
14      Hawthorn 5 in paren, caused the unit to be offline for  
15      all of September in 1998.

16                   KCPL thought that Hawthorn 5 pipe was  
17      seamless.  The pipe was, in fact, a welded pipe which  
18      had been admitted from KCPL's preventive maintenance  
19      program for the Hawthorn 5 unit.  See Appendix C,  
20      affidavit of Ronald S. Hohauser, paragraph 10.

21                   The outage in large part caused GST's  
22      September 1998 power costs per kilowatt hour to soar  
23      to levels roughly 75 percent higher than those  
24      experienced in September 1997.  See Appendix D.  
25      affidavit of Ronald S. Hohauser at paragraph 14.

1           This incident at Hawthorn 5 should not be  
2       confused with the boiler explosion that occurred at  
3       Hawthorn 5 on February 17, 1999.

4           Q.     Okay. Mr. Norwood, actually I'll ask you to  
5       stop right there. Let's stick with the steam pipe  
6       explosion. Now, are you aware that KCPL -- excuse me.  
7       Let me back up a moment.

8           Are you aware that KCPL's vender  
9       inadvertently installed a welded pipe instead of a  
10      seamless pipe and that's why KCPL believed that it had  
11      a seamless pipe?

12          A.     No.

13          Q.     Are you aware that the blueprints provided  
14      by the vendor indicated that KCPL had received a  
15      seamless pipe?

16          A.     No, I'm not.

17          Q.     Okay. In preparing your testimony, have you  
18      discovered any investigative reports prepared by  
19      federal or state agencies that concluded that  
20      imprudent practices caused the outages that occurred  
21      at LaCygne 2 in 1997 and Hawthorn 5 in 1998?

22          A.     The focus of my testimony is Ms. Eldridge's  
23      benchmarking analysis, as I state in my testimony.  
24      The documents I looked at were, in addition to her  
25      report, her work papers and responses to discovery I

1 had on her report.

2 Q. So your answer is no?

3 A. That's correct.

4 Q. Okay. But for the LaCygne 2 and Hawthorn 5  
5 outages that I've just discussed, isn't it true that  
6 KCPL did not experience any significant forced outages  
7 during the years 1997 and 1998?

8 A. As Ms. Eldridge has defined that?

9 Q. You can rely on her testimony or your own.

10 A. Can you define what you mean by significant  
11 outages because --

12 Q. Okay. Let's accept her definition that's  
13 included in her benchmarking study.

14 A. Actually, I can't. I can't respond to that  
15 because it wasn't the focus of my testimony. She's  
16 presented some data in her report, and I don't know  
17 that to be truthful or untruthful.

18 Q. Well, isn't it true that you used some of  
19 her data with respect to some of your own analysis?

20 A. I think what my testimony does is point out  
21 what I believe to be very serious flaws in her  
22 testimony, and then I say, I'm not agreeing with her  
23 analysis, but if you take her results as they are, I  
24 think they support GST's position that there were some  
25 serious reductions in O&M coincident with serious

1 increases in unavailability at the plant.

2 So I'm not -- I don't want you to think that  
3 I did a separate benchmark analysis. I've relied upon  
4 her results, which I think have big problems in them.

5 Q. Okay. Are you aware of -- well, factoring  
6 out the outages that occurred at LaCygne 2 in 1997 and  
7 Hawthorn 5 in 1998, are you aware of any outages that  
8 lasted more than 30 day during those years?

9 A. Well, no. I didn't investigate that data,  
10 so I'm not aware of how many outages occurred at  
11 individual plants. I've accepted her data as she's  
12 presented it.

13 Q. Are you aware that during the summer of 1999  
14 KCPL's baseload units had an availability rate that  
15 exceeded 99 percent?

16 A. No, I'm not aware of that, but it wouldn't  
17 surprise me.

18 Q. Okay. Isn't it true that a benchmarking  
19 study that restrict its analysis of KCPL's baseload  
20 units during the summer of 1999 would not provide the  
21 Commission an accurate overall assessment of KCPL's  
22 generating units?

23 MR. BREW: Could you repeat the question or  
24 read back the question.

25 (The requested testimony was read by the

1 reporter.)

2 MR. BREW: I'm not sure I understand that.

3 JUDGE THOMPSON: If you understand it,  
4 Mr. Norwood, you may answer it.

5 THE WITNESS: I really think it depends on  
6 what your objective is. If your objective is to  
7 determine how their units performed in the summer of  
8 '99, perhaps that would be adequate. If your  
9 objective was to determine how they performed overall,  
10 over a period of time, it clearly would not be  
11 adequate.

12 BY MR. REYNOLDS:

13 Q. Okay. In determining whether KCPL is  
14 operating its generating assets in a prudent manner,  
15 isn't it true that the Commission should review  
16 general trends as opposed to a -- as opposed to a  
17 limited period such as 1997 and 1998?

18 A. No.

19 Q. So trends that occur over, say, a five or  
20 ten-year period you don't believe are important in  
21 terms of determining whether KCPL's management  
22 practices are imprudent?

23 A. No, I didn't say that. I mean, they could  
24 be important, but -- well, I've been in the industry  
25 for 20 years, and much of that's been in regulation,

1 and I've never seen a prudence case that was made on  
2 general trends.

3 Q. You're --

4 A. Prudence case on performance of units look  
5 at specific facts and often specific events or series  
6 of events over a short period of time. They don't --  
7 it's real hard to make a case looking at general  
8 trends.

9 Q. Okay. So in terms of specific cases, are  
10 you aware of any evidence introduced into the record  
11 by GST regarding the -- regarding whether KCPL's  
12 management practices caused the Hawthorn 5 explosion  
13 that occurred in 1998 steam pipe explosion?

14 A. I don't recall seeing that.

15 Q. In any of the testimony that you reviewed in  
16 preparation for this hearing, you don't recall any  
17 testimony or evidence?

18 A. No, but I really skimmed the testimony by  
19 other witnesses and focused my testimony on  
20 Ms. Eldridge's report and conclusions.

21 Q. Okay. By using a three-year rolling  
22 average, isn't it true that a benchmarking study that  
23 covers a ten-year period would provide this Commission  
24 with historical performance data as well as recent  
25 performance data?



1 A. Yes.

2 Q. Please turn to page 4, line 13 of your  
3 testimony.

4 MR. REYNOLDS: Permission to approach?

5 JUDGE THOMPSON: Yes, you may approach.

6 THE WITNESS: Could you give me the cite  
7 again?

8 BY MR. REYNOLDS:

9 Q. Page 4 of your testimony.

10 A. Okay.

11 Q. Okay. You state that the peer group  
12 analysis extends back to 1985. Is that a  
13 typographical error? Should it read 1989?

14 A. Yes, I believe that's correct.

15 Q. Okay. Do you have a copy of Jerry Ward's  
16 testimony?

17 A. No, I do not.

18 MR. REYNOLDS: Permission to approach?

19 JUDGE THOMPSON: You may approach.

20 BY MR. REYNOLDS:

21 Q. Please turn to page 5 of Mr. Ward's direct  
22 testimony.

23 A. Okay.

24 Q. Okay. Page 5, line 9, Mr. Ward states, By  
25 comparing five-year forecasts, the effect of a single

1 large expenditure can be minimized and general trends  
2 can be observed.

3 Doesn't that statement indicate that  
4 Mr. Ward supports Mrs. Eldridge's use of a three-year  
5 rolling average that covers a ten-year period?

6 A. Excuse me. I'm not there. Could you give  
7 me the cite again?

8 Q. Page 5, line 3.

9 A. Okay.

10 JUDGE THOMPSON: Is this the direct  
11 testimony, Exhibit 5?

12 MR. REYNOLDS: Yes.

13 JUDGE THOMPSON: Okay. Thank you.

14 THE WITNESS: Excuse me. Could you repeat  
15 the question?

16 BY MR. REYNOLDS:

17 Q. One moment, please. Okay. I withdraw the  
18 question.

19 Okay. On page 11, line 7 of your testimony.

20 A. Page 11?

21 Q. Line 7.

22 A. Line 7. Yes.

23 Q. Okay. Let me catch up with you. Okay. You  
24 claim that Ms. Eldridge attempts to mask recent trends  
25 by averaging the 1994, 1995 and 1996 performance

1 statistics of KCPL's units with the performance  
2 statistics produced by these units in 1997 and 1998;  
3 is that correct?

4 A. Well, I don't think I said she's trying to  
5 mask. I'm saying that the approach that's used there  
6 tends to mask that.

7 Q. And it masks?

8 A. It deemphasizes when you have a trend of  
9 decline in performance as we had here, significant  
10 decline in performance, averaging prior years for your  
11 performance was better. With recent years tends to  
12 mask how bad your recent loss is.

13 Q. And the masking occurred by averaging the  
14 years '94, '95, '96 with the statistics produced in  
15 1997 and '98?

16 A. Yes.

17 Q. Okay. Do you have a copy of Mrs. Eldridge's  
18 testimony and benchmarking study?

19 A. Yes.

20 Q. Please turn to Exhibit A1.

21 A. Is that the -- that's the benchmarking  
22 report?

23 Q. Yes.

24 A. Okay.

25 Q. Isn't it true that she did not use a

1 five-year average? Does this table suggest in any way  
2 that she used a five-year average?

3 A. No. She used a rolling three-year average.

4 Q. Okay. I'm just trying to understand your  
5 statement that she averaged the prior years, 1994,  
6 '95, '96, with the statistics produced in 1997 and  
7 1998. Could you please explain how that was done?

8 JUDGE THOMPSON: Pardon me, Mr. Reynolds.  
9 If I could interject, I'm unable to find the page that  
10 you are at. So if you could help me find that, I  
11 could follow you better.

12 MR. BREW: This is Appendix A to the  
13 exhibits.

14 MR. REYNOLDS: It would be Schedule MM-1,  
15 page 53.

16 JUDGE THOMPSON: Thank you, sir.

17 MR. REYNOLDS: I apologize.

18 THE WITNESS: Okay. This takes a little  
19 explaining, and let me try to be very simple as I can  
20 be. We think the relevant period of looking at  
21 performance trends at most would extend back to '94  
22 when they entered into their contract.

23 And my point of testimony is that to get the  
24 '94 data Ms. Eldridge has presented, she's lumped  
25 in -- she's lumped three years of data into that '94

1 average. It's 1994, '95, '96. Okay. The next period  
2 if you look on this page 53, the '95 through '97 data  
3 has data in '95 when GST wasn't making a complaint.  
4 It has data in '96 when they weren't making a  
5 complaint, and has data in '97 when I really don't  
6 think they had a complaint in that year.

7 And then going to the last point that she  
8 shows, and this is the essence of her report, this is  
9 the end year of her trend, you know, suggesting that  
10 this is the most recent data. We actually have data  
11 extending back to '96. We have '96, '97 averaged in  
12 with '98.

13 The simple essence of my report is we  
14 weren't complaining about '96 or '97. It's really  
15 '98 and '99 performance that we feel like a problem  
16 has occurred, and so this report tends to deemphasize  
17 what's actually occurred and to the extent it doesn't  
18 include '99 where we've had just -- I mean, we've had  
19 Hawthorn out essentially the whole year in '99. It  
20 certainly is not showing that problem.

21 So I'm not trying to do anything  
22 complicated. All I'm saying is that you're averaging  
23 prior years before we really were complaining with the  
24 recent years where we have a concern and deemphasizing  
25 the trend.

1 Q. Okay. That may or may not be true, but I'm  
2 just trying to figure out the mechanics of this  
3 statement here. You have three years that you claim  
4 were averaged into two other years, and I just  
5 couldn't find that.

6 A. Well, again, if you look at page 53 on A1,  
7 the last data point in Ms. Eldridge's study, the last  
8 trend point she shows in any of her analysis is the  
9 '96 through '98 period, and two of the three years in  
10 that period aren't even relevant to the complaint.

11 Q. Yeah, but isn't that a different issue?  
12 Right now I'm asking you to identify the point in the  
13 study where there's a five -- there was an average  
14 derived from the statistics generated in five years,  
15 and those years would be 1994, 1995, 1996 --

16 A. No. You misunderstood my testimony.

17 Q. Okay.

18 A. On line 7 of my testimony I say she's using  
19 a rolling three-year average.

20 Q. Oh, no. But I'm referring to page 5,  
21 line 3. I'm sorry. Yes, page 11, line 7.

22 A. Okay. What I meant -- and I probably wasn't  
23 clear. I apologize for that.

24 MR. BREW: Excuse me, your Honor. I don't  
25 know what page we are on.

1 JUDGE THOMPSON: Well, Mr. Brew, we are on  
2 page 11, line 7 of Mr. Norwood's surrebuttal  
3 testimony, and we're also looking at page 53, Schedule  
4 MME-1 to Ms. Eldridge's rebuttal testimony.

5 MR. BREW: Thank you. I just heard three  
6 different page references. I wasn't sure where we  
7 were going.

8 JUDGE THOMPSON: I think that's where we  
9 are, sir.

10 MR. BREW: Thank you very much.

11 THE WITNESS: Just to clarify, I guess what  
12 I'm saying is the concern is with the three-year  
13 rolling average and including years before GST's  
14 complaint when performance was adequate with recent  
15 years where performance has gone down very  
16 dramatically.

17 BY MR. REYNOLDS:

18 Q. I understand that.

19 A. And if you go back to the data, on line 7 I  
20 talk about a rolling three-year average statistic. My  
21 point was, in the statistics she's presented for the  
22 last two -- the most recent performance, one of them  
23 is '95, '96 and '97 average, all three years prior to  
24 GST's complaint. The last point she presents in her  
25 study are '96, '97 and '98 average. Two of the three

1 years are prior to GST's complaint.

2 So what I'm saying is, the trend line if you  
3 look at her graphs is down.

4 Q. But right now I'm focusing on what you  
5 stated in your testimony.

6 A. I'm trying to clarify that.

7 Q. Okay. Let's move on.

8 A. It's not what you understand. It's a  
9 three-year average, and all I'm saying is --

10 Q. Three-year average over a ten-year period;  
11 is that correct?

12 A. Right.

13 Q. Okay.

14 A. And she averaged prior years, that was my  
15 point.

16 Q. Let's turn to page 32 of Mrs. Eldridge's  
17 benchmarking study.

18 JUDGE THOMPSON: Is that 32 to Schedule  
19 MME-1?

20 MR. REYNOLDS: It's a little tricky because  
21 they have pages on -- page numbers at the top and  
22 bottom. Let's look at the top.

23 JUDGE THOMPSON: I see. At the top it stays  
24 page 32, and at the bottom it says page 5 of Schedule  
25 MME-1?



1                   MR. REYNOLDS: That's correct. Look at the  
2                   number at the top.

3                   JUDGE THOMPSON: Thank you, sir.

4                   BY MR. REYNOLDS:

5                   Q.     Okay. At the bottom of the page, doesn't  
6                   Ms. Eldridge state that the -- that she uses a  
7                   three-year rolling average because it smooths out  
8                   year-to-year variations?

9                   A.     At the bottom of page 32?

10                  Q.     Yes. And look at the top for the page  
11                  number. It's a little confusing.

12                  A.     Top for the page number. Okay. I was  
13                  looking at the schedule page number. Excuse me. Yes,  
14                  I see that.

15                  Q.     Okay. Now, do you agree that she states  
16                  that she used it because it smooths out year-to-year  
17                  variations that are due to things such as refueling  
18                  and major maintenance outages?

19                  A.     That's what she says, yes.

20                  Q.     Okay. Do you agree that had she not  
21                  smoothed out the year-to-year variations by using this  
22                  rolling average, the LaCygne 2 and Hawthorn 5 outages  
23                  that occurred in 1997 and 1998 would have skewed the  
24                  data?

25                  A.     Well, I don't understand what you mean by

1       skewed the data.

2           Q.     Okay.  Whenever there is an out-sized outage  
3       in terms of the number of hours that a unit is down,  
4       that skews the data?  There's an upward -- the average  
5       is brought up; is that correct?

6           A.     I'm not following you.  Could you repeat  
7       that?

8           Q.     Okay.  If the average -- if the unit's  
9       average outage is say ten hours a year and one year it  
10      jumps up to say 100 hours, by taking a straight  
11      average don't you agree that that single data point,  
12      the 100 hours, would cause the average to go up  
13      significantly?

14          A.     Well, if you had less than a hundred hours  
15      in prior years, a hundred hours in one year, looking  
16      at a single year would make the average go up, yes.

17          Q.     Okay.  Let's move on to maintenance  
18      spending.  This is an issue that Commissioner Drainer  
19      brought up.  On several occasions in your testimony  
20      you discussed the decline in KCPL's maintenance  
21      spending and the declining reliability of performance  
22      of KCPL's baseload generating units.

23                 Are you suggesting that the decline in  
24      maintenance spending caused the declining reliability  
25      rate?

1           A.     I think what I talked about is non-fuel  
2     again just to be clear, and that's total operating  
3     excluding the fuel costs. And the point of my  
4     testimony is that when you pull out Wolf Creek,  
5     there's some very significant trends.

6           Q.     But we're talking about non-fuel O&M  
7     expenditures and we're talking about reductions. Are  
8     you suggesting that the reduction in non-fuel O&M  
9     expenditures at KCPL caused the declining reliability  
10    rate, availability rate?

11          A.     Am I suggesting that?

12          Q.     Yes.

13          A.     I think what I've suggested in my testimony,  
14    that they appear to be very strongly linked and it's  
15    reason for concern and, therefore, GST's complaint is  
16    valid that this needs to be looked at.

17          Q.     So you're not saying that a reduction --  
18    that the reductions identified in your testimony  
19    caused the declining reliability?

20          A.     I think my point is there's a serious trend  
21    there that needs to be investigated, and that was in  
22    response to a study which said there's no problem  
23    here, that we're consistent with the industry and  
24    there's nothing unusual happening. I'm not saying --

25          Q.     Is there a causal link between Item 1 and

1 Item 2, Item 1 being maintenance?

2 A. Again, my data here is presenting  
3 Ms. Eldridge's study result, and I think the study is  
4 very flawed. And so I think to do this right you'd  
5 have to go back and redo the study, and even then a  
6 benchmarking study doesn't prove absolutely that  
7 reducing costs leads to bad performance.

8 Q. Okay. Now, I'm not asking you right now  
9 about Mrs. Eldridge's testimony. I'm asking you  
10 whether you believe that there is a causal connection  
11 between a reduction in non-fuel O&M expenditures and  
12 availability rates?

13 A. There can be, yes.

14 Q. Okay. Have you presented any testimony, any  
15 evidence in your testimony that shows that there's a  
16 causal link between the two with respect to KCPL's  
17 generating units?

18 A. I've presented -- I presented a couple  
19 graphs that strongly suggest there could be a link and  
20 this needs to be studied, yes.

21 Q. Other than statistical evidence, have you  
22 presented any other evidence?

23 A. I have not done a separate analysis of that,  
24 no.

25 Q. Okay. Related question. Are you suggesting

1       that a decline in maintenance expenditures correlates  
2       with reliability?

3           A.     Yes.  It certainly could, yes.

4           Q.     It could, and in this particular case, did  
5       KCPL's, the decision to reduce non-fuel O&M  
6       expenditures, does it correlate with declining  
7       availability rates?

8           A.     It could very well.  I haven't done that  
9       study, but it could very well.

10          Q.     So you don't know?

11          A.     Not absolute.

12          Q.     Not absolutely.  Is there anything to  
13       suggest in your testimony that there is a correlation  
14       between a reduction in non-fuel O&M expenditures and  
15       reliability?

16          A.     Well, yes.  I think there's evidence here.

17          Q.     Okay.  Could you identify some of your  
18       evidence?

19          A.     Yes.  Page 12 is the first place where I  
20       think there's a pretty, in my mind, serious  
21       implication that there has been a sharp cut in O&M  
22       spending followed by a sharp increase in forced outage  
23       rates, recognizing that this trend has been masked  
24       somewhat by this rolling three-year average approach  
25       and it doesn't include '99 when this forced outage

1 rate number would have been probably increasing  
2 further.

3 So I think this is evidence that in my mind  
4 suggests a link and is the basis for serious  
5 investigation.

6 Q. Okay. I'm looking at the point between 1993  
7 and 1994 and 1995 and 1996, and right now I'm looking  
8 at non-fuel O&M expenditures, those data points.  
9 Wouldn't you agree that the sharpest reduction in  
10 non-fuel O&M expenditures occurred between those two  
11 years?

12 A. I don't have the data. It looks like --

13 Q. Just looking at your graph.

14 A. Yeah. It looks like there's a real sharp  
15 reduction before '93 and '94.

16 Q. And looking at the forced outage rates,  
17 using the same graph, doesn't the forced outage rate  
18 also decline during those very same years?

19 A. There was a one-year decline from '93 to  
20 '94, yes. I think I presented another chart in here.

21 Q. Let's stick with this one for a moment.

22 A. Okay.

23 Q. So right now what we're looking at between  
24 1993 and 1994, non-fuel O&M expenditures declined.  
25 During the same period we see also a decline in forced

1     outage rates. Now, wouldn't that suggest that, if  
2     there is a correlation, it suggests that if you reduce  
3     maintenance expenditures, non-fuel maintenance  
4     expenditures, your forced outage rate will go down?

5           A.     Not necessarily.

6           Q.     Not necessarily, but that indeed did happen  
7     between 1993 and 1995?

8           A.     Yes. There was one period where that  
9     happened.

10          Q.     Okay. Let's move to 1995 and 1996, looking  
11     at the same graph. Isn't it true that non-fuel O&M  
12     expenditures declined between 1995 and 1996?

13          A.     Yes, that's correct.

14          Q.     Doesn't your graph also indicate that during  
15     the same time period that the forced outage rate --

16          A.     Let me correct this, all this. These data,  
17     you should understand, are rolling three-year  
18     averages. So when we talk about between '95 and '96,  
19     we're talking about the average for that period.

20          Q.     Okay.

21          A.     So in terms of an individual year, I can't  
22     say as I sit here right now.

23          Q.     We're going assume that we're talking about  
24     the period of time covered by the data that you used  
25     here, which is a three-year rolling average.

1           A.     Correct.

2           Q.     Okay.  Would you agree that during the years  
3 1995 -- between the years 1995 and 1996 there was a  
4 reduction in non-fuel O&M expenditures accompanied by  
5 a reduction in forced outage rates?

6           A.     Yes.

7           Q.     Okay.  Doesn't the correlation in this  
8 particular graph suggest that a reduction in non-fuel  
9 O&M expenditures doesn't necessarily result in forced  
10 outage rates, increased forced outage rates?

11          A.     No, I don't agree.

12          Q.     So this graph suggests otherwise?

13          A.     I think if you turn to page 22 of my  
14 testimony, I try --

15          Q.     Right now we're on page 12, looking at the  
16 graph entitled Figure 1.

17          A.     Yeah.  I'm trying to explain to you why I  
18 don't believe that suggests that.

19          Q.     You believe that this graph suggests  
20 otherwise?

21          A.     Yes.  I don't think the fact that in two of  
22 the periods there was a concurrent decrease in  
23 spending with a decrease in outage rates leads to a  
24 conclusion that cutting costs improves performance.

25          Q.     That's not my point either.  Okay.  Let's



1 move on for the moment.

2 A. All I'm saying, if you look on page 22 I've  
3 tried to address that through trend line, and there's  
4 a graph that shows my points.

5 Q. Okay. I'll take your word for it.

6 A. Okay.

7 Q. Okay. Turn to page 9, line 4 of your  
8 testimony. Okay. You state that, Recent reliability  
9 recent re-- I'm sorry. Recent reliability performance  
10 of KCPL's generating units has deteriorated coincident  
11 with sharp reductions in maintenance spending; is that  
12 correct?

13 A. Yes.

14 Q. When you use the phrase recent reliability  
15 performance, are you referring to the performance of  
16 KCPL's generating units, baseload generating units  
17 during the years 1997 and 1998?

18 A. I think what I'm talking about here is the  
19 essence of the complaint arises from '98, which you're  
20 looking at '98 bad events, '99 catastrophic outage of  
21 units that KCPL operates. So all I'm trying to say is  
22 the complaint's really going to that issue. I didn't  
23 really provide a specific year.

24 Q. Could you explain to the Commission why the  
25 sharp reduction in maintenance spending that occurred

1 in the prior eight years did not coincide with  
2 decreased reliability?

3 A. Is there something I can look at that you  
4 think supports that?

5 Q. Well, I assume that you looked at  
6 Ms. Eldridge's data.

7 A. Yes.

8 Q. And it covers a ten-year period; is that  
9 correct?

10 A. Goes back to '89, that's correct.

11 Q. Okay. And do you believe -- and the  
12 reduction in maintenance expenditures, that didn't  
13 start in 1998; is that correct? The reduction started  
14 prior to 1998; is that correct?

15 A. Let me review that data.

16 JUDGE THOMPSON: Mr. Brew?

17 MR. BREW: While he's reviewing that, are we  
18 being -- should we start looking at our break for  
19 lunch?

20 JUDGE THOMPSON: I intend to break at noon  
21 until 1:30, and we will come back and finish whatever  
22 it is we were doing at noon at 1:30.

23 MR. BREW: Thank you.

24 THE WITNESS: Okay. We go back to  
25 Ms. Eldridge's report. If you look at the page which

1 is labeled on the bottom right-hand corner Schedule  
2 MME-1, page 65, I think the answer is that, prior to  
3 this period of concern that GST has talked about --

4 BY MR. REYNOLDS:

5 Q. I'm sorry.

6 A. This is page 65.

7 Q. And you're looking at?

8 A. Ms. Eldridge's report, and this --

9 Q. Hawthorn?

10 A. This states Hawthorn non-fuel O&M dollars  
11 per KW. I think what we see here is the trend was  
12 generally increasing through the '93-'95 period  
13 followed by some declines thereafter in non-fuel O&M  
14 spending.

15 Q. My question --

16 A. So I guess what I'm saying is, I don't think  
17 there's any linkage to prior periods where there was  
18 sharp reductions in performance. Again, we think the  
19 relevant period is the most recent period where you  
20 have both a downward trend in spending and upward  
21 trend in forced outage rates and downward trend in  
22 availability.

23 But I think the data, if you look at what  
24 she's presented, kind of supports that, that they were  
25 spending at a moderately increasing rate through the

1 '93-'95 period followed by some declines, some pretty  
2 sharp declines in spending, in non-fuel O&M spending.

3 Q. Are you referring now to Hawthorn?

4 A. This is page 65 of Schedule MME-1.

5 Q. Okay.

6 A. I think the system-wide data, if you want to  
7 look at that, although I think it's flawed in that it  
8 includes Wolf Creek, which they don't control, that  
9 also shows, if you look on page 53, Schedule MME-1 --  
10 well, that's equivalent availability. Excuse me.

11 If you look at page 57 of Schedule MME-1, it  
12 really shows the same thing that I'm saying, that in  
13 the past there was flat, slightly increasing cost, and  
14 beginning with the '92-'94 period we started to see a  
15 decline, even with Wolf Creek embedded in the numbers,  
16 and Wolf Creek, I believe, was increasing during this  
17 period.

18 So if you just looked at the fossil units,  
19 the coal units they operated, I think they would have  
20 been declining in that period.

21 Q. So is the heart of your -- well, if you -- I  
22 guess I better ask the question again. Do you believe  
23 that a decline in maintenance expenditures necessarily  
24 results in increased forced outages?

25 A. Not necessarily.

1 Q. And you have -- you have no -- did you  
2 perform any independent analysis to see if that was  
3 true in this particular case?

4 A. No. I relied on Ms. Eldridge's result.

5 Q. So you don't know, then, if --

6 A. Not absolutely.

7 Q. Let me ask the question. So you don't know,  
8 then, if a reduction in KCPL's generating -- well, a  
9 reduction in non-fuel O&M expenditures either  
10 correlates with increased forced outages or causes  
11 them? You performed no independent analysis on those  
12 two issues, is that --

13 A. My opinion.

14 MR. BREW: Excuse me. Which question do you  
15 want the witness to answer?

16 MR. REYNOLDS: Both.

17 MR. BREW: I heard three questions. Could  
18 we restate, have it read back, please?

19 MR. FISCHER: Why don't we restate it?

20 MR. REYNOLDS: Okay. I'll restate it.

21 BY MR. REYNOLDS:

22 Q. Have you performed any independent analysis  
23 that demonstrates that a reduction at KC -- a  
24 reduction in KCPL's non-fuel O&M expenditures  
25 correlates with increased forced outages?

1           A.     There's data presented in my testimony that  
2     shows both on a system basis for KCP&L's coal units,  
3     the units they control, and for individual units  
4     Hawthorn, LaCygne 2, that there were sharp reductions  
5     in non-fuel O&M spending coincident with sharp  
6     increases in forced outage rates in this period of  
7     time after GST signed their contract.

8                     And my point is, I think that suggested  
9     correlation, these are not subtle trends, they're  
10    pretty serious, they're pretty obvious, and that it  
11    should be seriously studied.

12          Q.     Okay. But the question posed was, did you  
13    perform any independent analysis concerning whether a  
14    reduction at KCPL's -- reduction in KCPL's non-fuel  
15    O&M resulted -- well, correlates with increased  
16    outages?

17          A.     Analysis in that I took the data  
18    Ms. Eldridge put together.

19          Q.     No, no. Independent analysis.

20          A.     Well, I think it's independent in that I  
21    took her data by unit and plotted it for this period  
22    of time which was the subject of GST's complaint, and  
23    I think for certain individual units it looked in my  
24    view clearcut that there was a trend.

25                     And on the system, when you stripped out

1 Wolf Creek, in my view it looks clearcut there's a  
2 trend and some correlation, and that's not an  
3 independent statistical study. I don't want to  
4 present that that's what I've done or --

5 Q. Okay. That's the only --

6 A. If that's your question, I haven't done  
7 that.

8 Q. Okay.

9 JUDGE THOMPSON: At this point, excuse me,  
10 Mr. Reynolds, we're going to recess for lunch. And  
11 you will still be on the stand, Mr. Norwood, when we  
12 return, and you will continue your cross-examination  
13 at that time, Mr. Reynolds. I will see you-all back  
14 at 1:30. Thank you.

15 (The noon recess was taken.)

16 JUDGE THOMPSON: You're still  
17 cross-examining, and you had something you wanted to  
18 bring up with respect to Ms. Lissik. Is this an  
19 appropriate time?

20 MS. SHEMWELL: If it's all right with you,  
21 Judge.

22 JUDGE THOMPSON: It's all right with me.

23 MS. SHEMWELL: We would like to offer a  
24 revised page that has been corrected. It was  
25 identified in her testimony. I think particularly

1       it's related to the line of miscellaneous that were  
2       shown as 34 million.

3               DR. LISSIK:  It's Schedule 7.3.

4               JUDGE THOMPSON:  If you don't mind, why  
5       don't we do that when we are done with this witness,  
6       Mr. Norwood, because I think you're going to want to  
7       put Ms. Lissik back on the stand for that, aren't you?

8               MR. FISCHER:  I think we can stipulate on  
9       the record, your Honor.

10              JUDGE THOMPSON:  Okay.  Well, in that case,  
11       I guess we can do it right now.

12              MR. BREW:  We'll stipulate as well.

13              MS. SHEMWELL:  It's to be a substitute page,  
14       if that's all right.

15              JUDGE THOMPSON:  Don't you need Mr. Coffman  
16       to stipulate?  I think you have to have all parties.

17              MS. SHEMWELL:  Why don't we wait?  He may  
18       return.

19              JUDGE THOMPSON:  He may wander in.  Let's  
20       return to Mr. Norwood.  Proceed.

21              MR. REYNOLDS:  Thank you, your Honor.  I  
22       promise that I will wind this up shortly.

23       BY MR. REYNOLDS:

24              Q.       Okay.  Mr. Norwood attached to your  
25       testimony -- well, your resume suggests that you're



1 qualified to perform benchmark studies; is that  
2 correct?

3 A. My resume suggests that? I have done some  
4 benchmarking studies, yes.

5 Q. Okay. Is there any reason why you didn't  
6 prepare a benchmarking study for this particular case?

7 A. Well, aside from the fact that we got the  
8 rebuttal only a few short weeks before the testimony  
9 and GST's primary phase was not that -- you wouldn't  
10 necessarily rely upon this type of benchmarking study,  
11 but you ought to look at the details of when it  
12 occurred. I think they saw trends that suggested a  
13 problem.

14 MR. REYNOLDS: Thank you very much. I have  
15 no other questions.

16 JUDGE THOMPSON: Thank you, Mr. Reynolds.

17 Questions from the Bench, Chair Lumpe?

18 QUESTIONS BY CHAIR LUMPE:

19 Q. Mr. Norwood, as I understand it, the  
20 complaint is basically about the deteriorating  
21 reliability caused by the reduction in maintenance and  
22 imprudent actions; is that a correct statement?

23 A. Yes, I believe so.

24 Q. The fact that prices to the company, to GST  
25 are higher then are an indirect -- an indirect result

1 of that; is that your position?

2 A. No. It's a direct result, but I don't mean  
3 to suggest that they would file a complaint if  
4 performance was just bad and it wasn't hurting them.  
5 There were some serious additional charges that  
6 occurred as a result of performance.

7 Q. So if there had been no increase in rates or  
8 prices, there would not have been the concern about  
9 the deterioration in performance or in reliability?

10 A. I think it probably would have been less  
11 likely you'd have had a complaint. People don't spend  
12 money if there's not a -- or they're less likely to  
13 spend money if there's not an economic cost resulting  
14 in some problems.

15 CHAIR LUMPE: I think that's all I have.

16 JUDGE THOMPSON: Thank you, Chair Lumpe.

17 QUESTIONS BY JUDGE THOMPSON:

18 Q. Mr. Norwood, do I understand correctly, the  
19 purpose of your testimony is the narrow focus of  
20 responding to the testimony of Ms. Eldridge; is that  
21 correct?

22 A. Yes, that's correct.

23 Q. And your testimony really is a criticism of  
24 her methodology; is that correct?

25 A. Yes.

1 Q. Okay.

2 A. And her conclusions.

3 Q. And her conclusions based on that  
4 methodology?

5 A. Yes. Correct.

6 Q. And while you have the expertise to have  
7 done an independent study, you did not in this case;  
8 isn't that correct?

9 A. Yes, that's correct.

10 Q. Okay. Thank you. I just wanted to make  
11 sure I understood that.

12 JUDGE THOMPSON: Further questions from the  
13 Bench?

14 CHAIR LUMPE: Yes. That one triggered one.  
15 FURTHER QUESTIONS BY CHAIR LUMPE:

16 Q. As I was trying to understand the  
17 conversation that was going back and forth earlier, is  
18 it your position that a long-term trend would be  
19 biased by the three-year rolling average and that  
20 really the long trend is not as relevant as what has  
21 happened in the last couple of years?

22 A. With respect to the first issue, the  
23 three-year average does tend to bias -- if there's a  
24 trend, increasing or decreasing, does tend to mask the  
25 more recent performance trend. So if cost was better

1 three years ago or your performance was better three  
2 years ago and you had just a terrible year last year,  
3 if you averaged that good year three years ago with  
4 the bad year last year, it tends to make the problem  
5 look less serious.

6 So that was my criticism. I don't mean to  
7 say that looking at the trends aren't important or,  
8 you know, that we didn't feel like you should look at  
9 this study at all. I think I tried to point that out  
10 in my testimony, that we felt like, putting all my  
11 criticisms of the study aside, the data still showed a  
12 real significant trend system-wide and for a few  
13 months that we felt supported our more serious  
14 plant-specific claims.

15 So I'm not saying this data is useless. I'm  
16 saying that, even with its flaws, I think it  
17 demonstrates, you know, a pretty significant serious  
18 trend that merits investigation.

19 Q. Were there not enough factors used in the  
20 study? Should more factors have been used other than  
21 those that were?

22 A. Yes. And it's a matter of not screening the  
23 plants, peer group plants by which you measure the  
24 performance of KCPL's units for the really important  
25 factors that affect coal plant performance, and I can

1 give you an example, a very simple example if you  
2 like.

3 JUDGE THOMPSON: Proceed, please.

4 THE WITNESS: If you go to a report, I don't  
5 know if you still have a copy of it, on page 28 and  
6 29, which are the numbers --

7 BY CHAIR LUMPE:

8 Q. Top of the page or bottom?

9 A. Well, these are the bottom right-hand  
10 corner. For a coal plant -- and this is my opinion  
11 based upon years of -- when I was a power plant  
12 engineer I worked years with coal plants and I've done  
13 a number of studies of coal plants. They're not like  
14 nuclear plants.

15 The two most important things in my mind  
16 affecting coal plant operating costs and performance  
17 are the type of fuel being burned and whether those  
18 plants have what's called a scrubber for the gas  
19 control system, which is basically a whole other plant  
20 tacked on the end of the power plant to remove sulfur  
21 emissions so they're clean.

22 Well, on page 28 we have a peer group for  
23 two of KCPL's plants, neither of which have scrubbers,  
24 and over 25 percent of the peer group units in this  
25 group have scrubbers. So right away you put plants

1     that you're calling similar to yourself that have  
2     inherently much higher cost and tend to have much  
3     worse reliability due to the fact they have scrubbers.

4             In addition, if you'll look on page 29 of  
5     this, that same report, again at the bottom, the first  
6     two peer group units included in her group I happen to  
7     know because I'm in Texas and I used to -- part of my  
8     career was working at one of these plants.

9             They're lignite-powered plants, which is a  
10    very low-quality, locally mined fuel, and you've got  
11    to burn a lot of it and it's real dirty and it's got  
12    high abrasiveness. It's just a tremendous amount of  
13    effort to burn the fuel, and it's messy and it leads  
14    to unreliability. The boilers for these type of  
15    plants are usually 50 percent bigger than another coal  
16    plant, other coal plants because the quality of the  
17    fuel, the heat content is so low.

18            So you wouldn't want to include this type of  
19    a plant in with, it has a scrubber and burns bad fuel,  
20    with KCPL plant which doesn't have a scrubber and  
21    burns very high quality fuel from the Powder River  
22    Basin, for example. So there's specific things that I  
23    think are real important to be considered that she  
24    didn't consider.

25            Q.     So the types of plants that are being called

1 peers and some of those factors. Okay.

2 A. And we had some other criticisms, primarily  
3 the fact that it appears like she didn't -- once she  
4 got the data together, she didn't look at the fact  
5 that there was some real bad data in her real group  
6 data. And normally when you do these studies the  
7 first thing you do is sit down and say, Do I have any  
8 outlier points that I should remove so I don't have  
9 funny results?

10 And by example, if you look on page 31, this  
11 is the one peer group for which she did provide  
12 statistics which compared within the peer group how  
13 the cost varied. And if you'll notice, the third row  
14 from the bottom in the second column, maximum O&M  
15 number for the peer group was \$264.59 per KW. Well,  
16 that's what it costs a lot of times to build a whole  
17 power plant. I mean, there are people that build new  
18 power plants for less than that, and this is  
19 supposedly a one-year non-fuel O&M number.

20 So that's a terrible value. Anybody that  
21 was, you know, is familiar with coal plants and was  
22 doing this kind of study would have said, If I throw  
23 that in with my average, I'm going to come up with  
24 some funny average, and they would pull that number  
25 out.

1           Q.     Bottom line, then, if I understand you  
2     correctly, No. 1, the peer group has some problems?

3           A.     Yes.

4           Q.     No. 2, using a trend, a rolling trend may  
5     mask deficiencies that are going at the end, and so  
6     focusing on the two years of decline may be more  
7     appropriate than looking at a rolling trend, so to  
8     speak --

9           A.     That picks up an earlier year.

10          Q.     -- that takes the earlier averages out?

11          A.     Yes.

12          Q.     A second point, then there was a third.  And  
13     if you were going to justify the various outages or  
14     problems of a particular company, then you would have  
15     to write and have parallel justifications for all the  
16     other peers which you used to find out if they would  
17     also justify?

18          A.     Right.  And normally if I was doing this  
19     kind of project and I saw this, I would -- and if I  
20     had time, I would correct the data and show how an  
21     improved analysis would demonstrate my point.

22                 But the fact of the matter is, with all  
23     these flaws, her data really demonstrated our point  
24     when you looked at Hawthorn, LaCygne 2 and the system  
25     as a hole with Wolf Creek power down.



1           Our view is that the complaint goes to the  
2       units that KCPL managed, controlled, operated, and so  
3       you ought to focus on the coal plants. And when you  
4       do that, even with these flaws in her analysis, which  
5       I think tend to make her units look better than they  
6       are relative to the standard, there still is a very  
7       pronounced trend that supports what my final say is.  
8       That's all I'm saying. I'm not saying this is  
9       absolute proof.

10           CHAIR LUMPE: Thank you.

11       FURTHER QUESTIONS BY JUDGE THOMPSON:

12           Q.     So the peer group you're saying is  
13       essentially apples to oranges, that a lignite plant  
14       with a scrubber is not really comparable to LaCygne  
15       or --

16           A.     Well, that's -- putting it bluntly, that's  
17       correct.

18           Q.     Bluntly is good because I can understand  
19       bluntly. That's what you're saying?

20           A.     That's what I'm saying. I'm saying there's  
21       some instances of inclusion of peers that were apples  
22       to oranges.

23           JUDGE THOMPSON: Thank you, sir. Additional  
24       cross based on questions from the Bench?

25           MR. REYNOLDS: Yes, I just have a few.

1 JUDGE THOMPSON: Well, I don't think it's  
2 your turn. I think it's Ms. Shemwell's turn first.

3 MS. SHEMWELL: Thank you.

4 RECROSS-EXAMINATION BY MS. SHEMWELL:

5 Q. The Chair, Chair Lumpe was asking you  
6 questions about trends. Do you have an opinion as to  
7 how long it takes to create a trend, let's say in the  
8 utility business?

9 A. I think it really depends on what you're  
10 measuring. I'm not trying to be difficult, but it  
11 does. I think they have presented this data in terms  
12 of three-year rolling averages. So if you see over a  
13 period of time two, three, four periods a decline, I  
14 think that's pretty indicative that there has been a  
15 lengthy downward trend.

16 Q. Outlier points, is that how you say it?

17 A. Yes.

18 Q. Would you define outlier points for me?

19 A. Well, I showed you one. I don't know that  
20 there's a formal definition. But if you go to again  
21 page 31 of Schedule MME-1, and I'm talking about the  
22 page number at the bottom right-hand corner, and you  
23 look in the second column, which is O&M dollars per  
24 KW, the third row from the bottom, which is the  
25 maximum data point in the peer group, you've got a

1 value there that's roughly ten times the -- well, over  
2 ten times the median value and about ten times the  
3 mean.

4 So, and just from a practical standpoint, if  
5 you know anything about coal plants, spending this  
6 amount of money is just unheard of. So something  
7 is -- either data was reported wrong or something very  
8 catastrophic happened on that plant, and you wouldn't  
9 want to include that in an average.

10 Q. Can I take a shot at it, is it something  
11 that's so outside the norm that it skews the data in  
12 an unreasonable way?

13 A. That's an easy way of putting it.

14 MS. SHEMWELL: Thank you. That's all I  
15 have.

16 JUDGE THOMPSON: Thank you. Mr. Coffman, do  
17 you have any cross-examination based upon questions  
18 from the Bench?

19 MR. COFFMAN: I do not.

20 JUDGE THOMPSON: I think there is a matter  
21 of a stipulation they might want to visit with you  
22 about.

23 MR. COFFMAN: Ms. Shemwell did provide us  
24 corrections to Ms. Lissik's testimony. I would have  
25 no objection to stipulating.

1 JUDGE THOMPSON: Okay. So we're going to  
2 correct a page, and everyone has stipulated to it; is  
3 that correct?

4 MS. SHEMWELL: That's correct.

5 JUDGE THOMPSON: And do we have this  
6 corrected page?

7 MS. SHEMWELL: We do. And in addition we  
8 have FERC Form 1 to which they refer.

9 JUDGE THOMPSON: I would like to mark those  
10 as exhibits.

11 MS. SHEMWELL: Should we wait or would you  
12 like to do that now?

13 JUDGE THOMPSON: I thought since Mr. Coffman  
14 is here it might be easier to do that now. And I  
15 apologize for interrupting with Mr. Norwood.

16 Kellene, let's mark the form that is not  
17 FERC Form 1 as Exhibit 22. That would be this one.  
18 Let's mark the one that is FERC Form 1 as 23.

19 (EXHIBIT NO. 22 AND 23 WERE MARKED FOR  
20 IDENTIFICATION.)

21 JUDGE THOMPSON: It is my understanding,  
22 Ms. Shemwell, you are offering Exhibits 22 and 23.

23 MS. SHEMWELL: Yes, your Honor. I would  
24 like to move that these be admitted into evidence in  
25 in case.

1 JUDGE THOMPSON: Very well. Do I hear any  
2 objections?

3 (No response.)

4 Hearing no objections, Exhibits 22 and 23  
5 are received and made a part of the record of this  
6 proceeding. Thank you.

7 (EXHIBIT NOS. 22 AND 23 WERE RECEIVED INTO  
8 EVIDENCE.)

9 JUDGE THOMPSON: Thank you for your  
10 patience, Mr. Norwood. Mr. Reynolds, you have some  
11 recross?

12 MR. REYNOLDS: Yes.

13 JUDGE THOMPSON: Thank you, sir. Go ahead.  
14 RECROSS-EXAMINATION BY MR. REYNOLDS:

15 Q. Mr. Norwood, do you recall in your testimony  
16 describing Mrs. Eldridge's analysis as fatally flawed?

17 A. Yes.

18 Q. Despite these fatal flaws, isn't it true  
19 that you relied on Mrs. Eldridge's analyses when it  
20 indicates that KCPL's units have performed below  
21 industry standards but not when it indicates that  
22 KCPL's units have performed above industry standards?

23 A. No. That's incorrect. I've presented both  
24 a system average number in my testimony in addition to  
25 results for individual units, and I've shown that

1       regardless of whether you look at it on a system  
2       average basis or an individual unit basis the results,  
3       flawed as they may be, support GST's contentions.

4       Q.     Have you relied -- have you relied on any of  
5       her data to support the proposition that KCPL's units  
6       have performed above industry standards?

7       A.     I don't accept that conclusion, but I think  
8       what I just said was I presented a system average  
9       result for balance. I presented a system average  
10      result in my testimony, and it includes both the good  
11      performing units and the bad performing units. So I  
12      haven't really questioned her results because I think,  
13      even with the flaws, they demonstrate the points  
14      raised by GST.

15             MR. REYNOLDS: Okay. Thank you, Mr.  
16      Norwood. I have no further questions.

17             JUDGE THOMPSON: Thank you, Mr. Reynolds.  
18      Redirect, Mr. Brew?

19             MR. BREW: No further questions, your Honor.  
20      Thank you.

21             JUDGE THOMPSON: Thank you. You may step  
22      down Mr. Norwood. Thank you. You are excused.

23             THE WITNESS: Thanks.

24             (Witness excused.)

25             JUDGE THOMPSON: I think we're ready to

1 start with KCPL's witnesses at this time. Mr. DeFord?

2 MR. DeFORD: We could expedite this. We're  
3 willing to waive cross on all the remaining witnesses.

4 JUDGE THOMPSON: A princely offer, but there  
5 are other parties.

6 MS. SHEMWELL: If I could just have a  
7 minute, we might be able to do the same.

8 JUDGE THOMPSON: Why don't we recess for  
9 about ten minutes to allow the parties to confer.

10 MR. FISCHER: Your Honor, we can make the  
11 witnesses available for any questions from the Bench.

12 JUDGE THOMPSON: We'll go ahead and recess  
13 for ten minutes.

14 (A recess was taken.)

15 JUDGE THOMPSON: We have had a suggestion  
16 that the procedure can be streamlined somewhat, in  
17 fact perhaps a great deal. Mr. Fischer, however, will  
18 remember that he sued the Commission once a few years  
19 ago and that the court said we can't really depart  
20 from procedure unless everyone agrees.

21 MR. FISCHER: I'm agreeable today, your  
22 Honor.

23 (Laughter.)

24 JUDGE THOMPSON: We'll hold you to that.

25 The first witness on Kansas City Power & Light's list

1 is Monika Eldridge. Monika Eldridge, please come  
2 forward to the witness seat.

3 (Witness sworn.)

4 JUDGE THOMPSON: Please take your seat and  
5 if you would spell your name for the reporter.

6 THE WITNESS: My name is M. Monika Eldridge,  
7 E-l-d-r-i-d-g-e.

8 JUDGE THOMPSON: Direct examination, who's  
9 going to take that? Mr. Reynolds.

10 M. MONIKA ELDRIDGE testified as follows:

11 DIRECT EXAMINATION BY MR. REYNOLDS:

12 Q. Please state your name and address for the  
13 record.

14 A. M. Monika Eldridge, 680 Hartford Drive,  
15 Boulder, Colorado 80303.

16 Q. And by whom are you employed?

17 A. Competitive Utility Strategies.

18 Q. Did you cause to be filed in this matter  
19 rebuttal testimony that has been marked as Exhibit 11?

20 A. Yes.

21 Q. Do you have any changes or corrections that  
22 need to be made to your testimony?

23 A. No, I don't.

24 Q. If I were to ask you the questions contained  
25 in your testimony, would your answers be the same?



1           A.     Yes.

2           Q.     Are your answers true and accurate to the  
3     best of your knowledge and belief?

4           A.     Yes, they are.

5           MR. REYNOLDS: Your Honor, I move for  
6     admission of Exhibit 11.

7           JUDGE THOMPSON: Any objections to the  
8     receipt of Exhibit No. 11?

9           (No response.)

10          Hearing no objections, Exhibit No. 11 will  
11     be received and made a part of the record of these  
12     proceedings.

13          (EXHIBIT NO. 11 WAS RECEIVED INTO EVIDENCE.)

14          JUDGE THOMPSON: Cross-examination,  
15     Ms. Shemwell?

16          MS. SHEMWELL: No questions, your Honor.

17     Thank you.

18          JUDGE THOMPSON: Thank you. Mr. Coffman?

19          MR. COFFMAN: No questions.

20          JUDGE THOMPSON: GST, who's taking this one?

21          MR. BREW: No questions, your Honor.

22          JUDGE THOMPSON: Thank you, Mr. Brew.

23     Questions from the Bench, Vice Chair Drainer?

24          COMMISSIONER DRAINER: Yes.

25     QUESTIONS BY COMMISSIONER DRAINER:

1           Q.     Good afternoon. I just have a couple of  
2           questions. With Mr. Norwood before you there there  
3           were a number of comments about the three-year moving  
4           average --

5           A.     Right.

6           Q.     -- that you used in your testimony. And  
7           have you had a number of statistic courses?

8           A.     I myself have not taken a significant number  
9           of stats courses. I have a Ph.D. economist that does  
10          the actual analyses for me in that regard as far as,  
11          like, just the stats aspect of it.

12          Q.     Well, I guess what I wanted to get to in  
13          your study was, is it normal procedure when one is  
14          doing a trend line to do smoothing by doing a  
15          three-year average?

16          A.     Well, I have done a number of benchmarking  
17          analyses throughout the years on a number of different  
18          power plants for a number of different forums, and you  
19          will find that industries in the -- experts in the  
20          industry will use a three-year rolling average.  
21          You're not changing the data. You're still using that  
22          same data, but you are taking into account the fact  
23          that there are refueling outages and there are  
24          maintenance outages and there are forced outages that  
25          occur, and you just are able to smooth out that data,

1       so to speak.

2               Now, when you have a peer group sample size  
3       that is extremely large, you don't have to worry about  
4       that so much. The larger your peer group, the more  
5       everything's going to be closer to the average.

6               Now, with a small peer group and when you  
7       only have one peer plant, being Hawthorn or LaCygne  
8       whatever, you'll end up having a lot of peaks and a  
9       lot of valleys. Using a three-year rolling average is  
10      my standard practice and the standard practice of a  
11      lot of my colleagues.

12              You'll find that some people in the industry  
13      support a longer period. For example, in Mr. Ward's  
14      testimony, he states that a five-year average is  
15      acceptable. So it's -- it's an industry -- it's a  
16      practice that's used by people who do these  
17      benchmarking studies, and three years is typically  
18      chosen because of the refueling outage cycles.

19              Q.     So that was a yes?

20              A.     Okay. Yes.

21              Q.     That was my only question was it is used  
22      with the intent. There was no hidden agenda there, in  
23      other words, to hide fluctuations, but that is a  
24      standard practice when one's doing trend lines?

25              A.     No, there's no intent to hide any data

1       because the data is still all there.  You're just  
2       trying to take into effect the peaks and the valleys.

3               COMMISSIONER DRAINER:  Okay.  Thank you.  I  
4       have no other questions.

5               JUDGE THOMPSON:  Thank you, Vice Chair  
6       Drainer.  Commissioner Murray?

7               COMMISSIONER MURRAY:  No questions.  Thank  
8       you.

9               JUDGE THOMPSON:  Thank you.  Commissioner  
10      Schemenauer?

11              COMMISSIONER SCHEMENAUER:  Thank you, Judge.

12      QUESTIONS BY COMMISSIONER SCHEMENAUER:

13              Q.     Just a few, Ms. Eldridge.  On your Schedule  
14      MME, Table 2-3, trending hours for Hawthorn personnel,  
15      page 18.

16              A.     I'm sorry?  Which page?

17              JUDGE THOMPSON:  The numbers in the lower  
18      right-hand corner.

19              THE WITNESS:  Okay.

20      BY COMMISSIONER SCHEMENAUER:

21              Q.     These training hours that you indicated for  
22      1989 to 1998, are these in addition to the mandatory  
23      training hours required by OSHA for control center  
24      operators?

25              A.     No, they do not include OSHA-required

1 training.

2 Q. So these would not show the required  
3 training that OSHA requires, right?

4 A. No, they don't include the OSHA  
5 requirements. It's just training hours above and  
6 beyond that.

7 Q. Okay. And the simulator hours that the  
8 operators take, that's part of OSHA's requirements,  
9 right?

10 A. I wouldn't define simulator training as an  
11 OSHA requirement. I would define that as an operator  
12 training requirement.

13 Q. Then in 1998, the operators at Hawthorn had  
14 zero training hours in addition to the OSHA  
15 requirement and no simulator time?

16 A. Right. And I believe that they had quite a  
17 bit of training in the years previous to that.

18 Q. Okay. So the simulator training isn't an  
19 ongoing training requirement for those operators?  
20 They don't have to do that every year?

21 A. They for the -- of course, for a nuclear  
22 plant it's quite different. For Wolf Creek you  
23 have -- every six weeks you're in a week of training.  
24 But for the fossil operators, you've got different  
25 requirements. And once they're qualified, then

1       they -- they've got some additional training that can  
2       occur. But does it always have to occur during the  
3       same year? I'm not sure, but I don't think so.

4           Q.     Okay. I was trying to follow the training  
5       down, and it did seem like in 1998 it dropped  
6       considerably.

7           A.     Right. And if you -- again, if you look at  
8       the trend, they had spent enormous amounts of hours in  
9       training in the two previous years. So it looked like  
10      they got everybody all qualified up and then they  
11      didn't have any training for a year.

12                  COMMISSIONER SCHEMENAUER: That's all I  
13      have. Thank you.

14                  JUDGE THOMPSON: Thank you, Commissioner  
15      Schemenauer. Additional questions from the Bench?

16      QUESTIONS BY JUDGE THOMPSON:

17           Q.     You were present, Ms. Eldridge, during the  
18      testimony of Mr. Norwood?

19           A.     Yes, I was.

20           Q.     Okay. Mr. Norwood testified, as I recall,  
21      that some of the plants included in the peer groups  
22      that you compared to KCPL plants were inappropriate  
23      because they had scrubbers and because they burned,  
24      for example, a much lower grade of coal. Do you have  
25      a response to that?

1           A.     Yes, I do.

2           Q.     What is that?

3           A.     When I conduct these benchmarking analyses,  
4 I typically look at a number of different factors, and  
5 I address this in my report. I address fuel quality  
6 and scrubbers in my report.

7                     I chose three factors, being design, vintage  
8 and size as the three most important factors. I  
9 mention in my report that there are a number of other  
10 issues such as fuel quality, and I'd love to be able  
11 to address fuel quality.

12                    However, the data that is available from  
13 publicly available sources that I'm able to use as an  
14 industry average in an industry average benchmarking  
15 exercise does not -- does not allow me to do that sort  
16 of an analysis, primarily because, for example, you've  
17 got a power plant that burns very low-grade coal.  
18 Well, if that power plant has been designed to burn  
19 low-grade coal, then it's going to operate better than  
20 if you were to take a high -- a plant that was  
21 designed to burn high-grade coal and you started  
22 putting poor-grade coal into that. It's going to --  
23 its performance is going to go way down.

24                    The other thing is, utilities report what  
25 kind of coal they're burning on the FERC Form 1s, but

1     you don't know necessarily which fuel goes to which  
2     plant.  So in order to address fuel quality in this  
3     sort of an analysis, sort of a global industry average  
4     sort of analysis, it's virtually impossible to get any  
5     reasonable results.

6             So I can't address fuel quality.  I don't  
7     know of anybody that can address fuel quality in this  
8     sort of an analysis without doing a very detailed  
9     analysis of each and every plant, which wasn't the  
10    purpose of my testimony.

11            Regarding scrubbers, again, you know, same  
12    thing.  I actually made that exact statement in my  
13    testimony, that, yes, scrubbers cost more and they  
14    cause -- there is some evidence to support a slightly  
15    lower EAF.

16            But if you take a look at -- I've done a lot  
17    of studies of what causes availability to be low, and  
18    one of the things that I found is 60 percent of the  
19    forced outage -- forced outages occur from boiler  
20    problems, which is where I take design into effect.  
21    And then there's a number of other things, but  
22    scrubbers isn't one of the things that comes up as one  
23    of the main reasons that a plant is down for forced  
24    outages.

25            So I decided that considering my peer group



1 was already pretty small and I didn't want to make it  
2 any smaller, I decided to just use those three  
3 factors. And that's kind of the problem when you do  
4 these sorts of things, you have to balance it and you  
5 have to use some judgment and think, Well, okay, am I  
6 going to use a much smaller peer group and even limit  
7 the amount of performance that I have from these  
8 number of plants even more, or am I going to go ahead  
9 and accept this data?

10 Also, as far as outlier data, I disagreed  
11 with Mr. Norwood. In fact, primarily because if I  
12 had -- if I had started changing the data and deleting  
13 some of the data points based on another criteria, I  
14 would have ended up deleting the '97 LaCygne outage.  
15 I would have ended up deleting the Hawthorn outage,  
16 and I would have -- the '97 Hawthorn outage and the  
17 '98 Hawthorn outage, and it wouldn't have shown  
18 anything. It would have -- it wouldn't have provided  
19 the Commission with the data that it needed to  
20 evaluate this case.

21 So even though in some cases it might be  
22 appropriate to remove outlier data, in this case it  
23 made no sense at all to me to do that because, like I  
24 said, I would have been removing the data that GST was  
25 complaining about.

1           Q.     With respect to Mr. Norwood's testimony that  
2     your study did not include 1999, do you have an  
3     explanation for why that year is not included?

4           A.     1999 data is still not available.

5                   JUDGE THOMPSON:  Thank you very much.  Any  
6     further questions from the Bench?

7                   COMMISSIONER DRAINER:  I would like to  
8     follow up on that.

9     FURTHER QUESTIONS BY COMMISSIONER DRAINER:

10          Q.     Again, if you had done numerous studies  
11     before, is it common that you can't get data for a  
12     previous year, such as 1999, when we're in, your  
13     testimony I believe would have had to have been  
14     February?  Could you have possibly written testimony  
15     for last year's data by February of this year?

16                   I mean, so I guess I'm asking, 1999, is it  
17     uncommon to not be able to get the most current year?

18          A.     Well, of course we would be able to get  
19     KCPL's data.  The problem is that population of all  
20     those other plants that are included in my peer group.  
21     We still cannot get -- well, as of March 31st we might  
22     have been able to get it, but we would have had to ask  
23     the North Electric Reliability Council, NERC, to  
24     provide that.

25                   It would have had to have been through a

1 special request, and they might be able to provide it  
2 today, but it would have to be through a special  
3 request as opposed to what's available out there in  
4 the industry.

5 Q. Okay. But then again if your testimony had  
6 to be filed in February, would it be common or  
7 uncommon for you to be able to file testimony with  
8 information that was annualized, that was annual for  
9 just the year before? Is it easy to get data usually  
10 that's only a month after the year's ended?

11 A. No. It's very -- like I said, I would have  
12 to make a special request if I wanted 1999 data right  
13 now.

14 Q. And would you necessarily still be able to  
15 get it?

16 A. I might be able to get it.

17 Q. Okay.

18 A. But it would be a special request as opposed  
19 to what's publicly available.

20 Q. How long does it take to get a special  
21 request?

22 A. I could -- I could probably get it in a  
23 week, if they would agree.

24 JUDGE THOMPSON: So if you were going to get  
25 it, you could get it in a week?

1 THE WITNESS: Yes.

2 JUDGE THOMPSON: Other questions from the  
3 Bench?

4 Okay. Recross based on questions from the  
5 Bench, Ms. Shemwell?

6 MS. SHEMWELL: No questions. Thank you.

7 JUDGE THOMPSON: Mr. Coffman?

8 MR. COFFMAN: No questions.

9 JUDGE THOMPSON: Mr. Brew?

10 MR. BREW: I have just a couple. Thank you,  
11 your Honor.

12 RECROSS-EXAMINATION BY MR. BREW:

13 Q. Ms. Eldridge, in responding to questions  
14 regarding the use of the three-year rolling average,  
15 you say in part that the time was chosen to take into  
16 account refueling outages?

17 A. Yeah. Refueling cycles and these sorts of  
18 things, yes.

19 Q. Okay. Do coal plants -- do coal units have  
20 refueling outages?

21 A. Well, they shut down for major maintenance  
22 outages. They shut down for, you know, refueling  
23 and --

24 Q. Do they shut down for refueling?

25 A. Not for refueling, but for major outages in

1       general.  Primarily the refueling outages are directed  
2       toward the nuclear units.

3           Q.     Do coal units --

4           A.     No.

5           Q.     -- have refueling outages?  Thank you.

6                   Is fuel quality reported in FERC Form 1  
7       data?

8           A.     Like I said, where they actually get the  
9       coal I believe is reported there.  I'm a little fuzzy  
10      on what exactly is provided as far as a -- but from  
11      what I understand, it's provided on a utility basis.  
12      So you don't necessarily know which coal goes to which  
13      units.

14          Q.     Do you have Exhibit 23?

15          A.     I don't know.

16                   MR. REYNOLDS:  Of what?

17                   MR. BREW:  Page from the Form 1 that was  
18      just marked as Exhibit 23.

19      BY MR. BREW:

20          Q.     Do you have it?

21          A.     Yes, I do.

22          Q.     Do you recognize it as a page from a FERC  
23      Form 1?

24          A.     It looks like one, yeah.

25          Q.     For Kansas City Power & Light?

1           A.     Yes.

2           Q.     Can I refer you to line 38, average heat  
3     cont fuel burn?

4           A.     Right.

5           Q.     Do you see that?

6           A.     Right.

7           Q.     Doesn't that indicate by unit, the average  
8     heat cont of the fuel burned?

9           A.     Yes, it does.

10          Q.     Thank you.

11                 Ms. Eldridge, do you show anywhere in your  
12     report the significance of scrubbers, fuel qualities  
13     and so forth on plant performance?

14          A.     I think I -- I address it qualitatively. I  
15     do not address it quantitatively. I also took a look  
16     at LaCygne to make sure it wasn't skewing the results  
17     and found that it wasn't. So I didn't address it.

18          Q.     And so you didn't address it quantitatively  
19     in any fashion in your report?

20          A.     Correct. I did not make any adjustments.

21          Q.     Can I refer you to your testimony,  
22     Table 4-4, which is in the lower right-hand corner  
23     labeled page 28, MME-1.

24          A.     Okay.

25          Q.     The peer groups that you show there, do you

1 see the references to Homer City 3 and Kintigh 1?

2 A. Yes.

3 Q. Okay. Would you know whether or not those  
4 plants are based on the identical design except that  
5 Kintigh uses scrubbers and Homer City 3 doesn't?

6 A. Okay. It's a little -- it's a B and W. I'm  
7 sorry. What was the question?

8 Q. The question is whether you know whether or  
9 not those two units are sister units, meaning  
10 identical designs except that Homer City uses  
11 scrubbers?

12 A. I don't know if they are sister units, no, I  
13 do not. I know that they're both B and W.

14 Q. Do you know, in fact, whether or not the  
15 Kintigh unit uses a first generation scrubber and  
16 whether they had performance problems?

17 A. No, I do not. And on these global types of  
18 analyses, it's very difficult to get down into that  
19 sort of detail.

20 Q. Did you attempt to get down in that level?

21 A. I did not attempt to get down into that  
22 level of detail.

23 MR. BREW: Thank you. No more questions.

24 JUDGE THOMPSON: Thank you, Mr. Brew.

25 Redirect, Mr. Reynolds.

1 REDIRECT EXAMINATION BY MR. REYNOLDS:

2 Q. Okay. You discussed training, training  
3 hours regarding simulators. Isn't it true that  
4 training is often tied to the installation of new  
5 equipment? For instance, KCPL recently installed a  
6 new combustion turbine at Hawthorn 6?

7 A. Right.

8 Q. And wouldn't you expect the training numbers  
9 to spike whenever a new combustion turbine was  
10 installed at a plant?

11 A. Yes. You would expect primarily operator  
12 training to increase as that unit was coming online.

13 Q. And after that training concludes, wouldn't  
14 you expect the numbers to decrease?

15 A. Yes, I would.

16 Q. So the fact that in one particular year,  
17 1998, that there was no operator training hours, that  
18 may not be significant; is that correct?

19 A. No. I would not expect that to be a  
20 significant issue, no.

21 Q. Okay. In terms of peer group selection,  
22 isn't it true that each plant -- each coal power plant  
23 in the United States has unique features that may or  
24 may not affect availability?

25 A. Yes.



1           Q.     For instance, humidity, wouldn't humidity --  
2     isn't it possible that could affect operating  
3     performance?

4           A.     Yes.   Even things like cooling type, I mean,  
5     where you get your -- you know, the quality of the  
6     water that you use for cooling makes a -- can make a  
7     significant impact.  There's a number of different  
8     factors.

9           Q.     Things like -- wouldn't that be true for,  
10    say, temperature?

11          A.     Yes, that would.

12          Q.     If you were to account for any -- well, all  
13    factors that could possibly affect performance, what  
14    would that analysis look like?  Would it be a  
15    manageable project?

16          A.     It's quite difficult in the United States  
17    because we have so many plants that are so diverse and  
18    so different.  In some other countries, you know,  
19    they've got more of a fleet of plants.  In the United  
20    States we've just got this -- we've got very diverse  
21    plants, and it's very difficult to call another unit a  
22    sister unit.  Otherwise, you cannot do a valid  
23    comparative analysis.

24          Q.     In your experience, the primary drivers  
25    regarding -- the primary drivers in terms of

1 predicting a unit's availability, have you found them  
2 to be design, size and vintage?

3 A. Yes, I have. Like I said, we've done  
4 studies in the past where we've shown that 60 percent  
5 of the availability issues came from the boiler, which  
6 is the design, where the design criteria comes in.

7 MR. REYNOLDS: Thank you. I have no other  
8 questions.

9 JUDGE THOMPSON: Thank you, Mr. Reynolds.  
10 And thank you, Ms. Eldridge. You may step down. You  
11 are excused.

12 (Witness excused.)

13 JUDGE THOMPSON: Chris Giles.

14 (Witness sworn.)

15 JUDGE THOMPSON: Please take your seat. If  
16 you would spell your name for the reporter?

17 THE WITNESS: Chris B. Giles, G-i-l-e-s.

18 JUDGE THOMPSON: Okay. Thank you. Who is  
19 doing direct? Mr. Fischer.

20 CHRIS B. GILES testified as follows:

21 DIRECT EXAMINATION BY MR. FISCHER:

22 Q. Please state your name and address for the  
23 record.

24 A. Chris B. Giles. My address is 1201 Walnut,  
25 Kansas City, Missouri.

1 Q. Mr. Giles, did you cause to be filed in this  
2 proceeding certain rebuttal testimony and exhibits  
3 which has been marked as Exhibit No. 12?

4 A. Yes, I did.

5 Q. Do you have any changes or corrections that  
6 need to be made to that exhibit?

7 A. Yes, I have a couple.

8 Q. Would you go through those page by page.

9 A. Page 14, line 21, and the same page, line  
10 23, the figure 225,000 should read 252,000. And again  
11 on page 15, line 4, the same change, 225,000 should  
12 read 252,000.

13 Q. Were there any other changes that need to be  
14 made to your exhibits --

15 A. No.

16 Q. -- or testimony?

17 If I were to ask you the questions that are  
18 contained in your testimony today, would your answers  
19 be the same?

20 A. Yes, they would.

21 Q. And are they true and accurate to the best  
22 of your knowledge and belief?

23 A. Yes, they are.

24 MR. FISCHER: I would note for the record  
25 that some of his testimony is contained under a highly

1 confidential designation. I would move for the  
2 admission of Exhibit No. 12, both the NP version and  
3 the HC version, and tender the witness for cross.

4 JUDGE THOMPSON: Thank you, Mr. Fischer.  
5 Any objection to the receipt of Exhibit 12HC and NP?

6 (No response.)

7 Hearing no objection, Exhibit No. 12HC and  
8 NP is received and made a part of the record of these  
9 proceedings.

10 (EXHIBIT NOS. 12 AND 12HC WERE RECEIVED INTO  
11 EVIDENCE.)

12 JUDGE THOMPSON: Cross-examination,  
13 Ms. Shemwell?

14 MS. SHEMWELL: No questions. Thank you.

15 JUDGE THOMPSON: Mr. Coffman?

16 MR. COFFMAN: Yes, I have just a few.

17 JUDGE THOMPSON: Please proceed.

18 CROSS-EXAMINATION BY MR. COFFMAN:

19 Q. Good afternoon, Mr. Giles.

20 A. Good afternoon.

21 Q. Were you here present during the  
22 cross-examination of Dr. Proctor?

23 A. Yes, I was.

24 Q. And do you recall him testifying regarding  
25 certain possible scenarios regarding some possible

1 modification of the GST special contract?

2 A. Yes, I was here and heard that testimony.

3 JUDGE THOMPSON: If I could interject, do we  
4 need to go in-camera for this cross-examination?

5 MR. COFFMAN: I don't expect so, but please,  
6 if someone believes that I am getting into that  
7 territory --

8 JUDGE THOMPSON: Please proceed.

9 MR. COFFMAN: -- please stop me.

10 BY MR. COFFMAN:

11 Q. I wanted to ask you a couple questions about  
12 the process because I assume that you're very familiar  
13 with KCP&L's special contract tariff and procedures.

14 A. Yes, I am.

15 Q. Under the current contract, changes could be  
16 made if brought to the Commission for approval; is  
17 that your understanding?

18 A. No, that's not my understanding.

19 Q. Okay.

20 A. The contract is what it is. The contract  
21 was approved by the Commission in 1994. It's a  
22 ten-year contract, and the terms and conditions of  
23 that contract, unless the two parties renegotiate the  
24 contract, remain in effect for ten years.

25 Q. Would it be possible for either or both of

1 the parties to cancel the contract and renegotiate a  
2 new contract which would become effective without  
3 Commission approval?

4 A. No. Any contract would require the  
5 Commission approval, any modifications to the contract  
6 or a new contract.

7 Q. Doesn't the current special contract tariff  
8 which is in effect for KCP&L allow special contract  
9 tariffs to become effective without Commission  
10 approval?

11 A. The current tariff does allow that, but in  
12 this case, since the GST contract was entered into  
13 prior to that tariff's effective date, and I don't  
14 recall if it's still in existence, there wasn't even a  
15 tariff at the time that we submitted that contract  
16 separate from the special contract tariff that this  
17 contract is filed under.

18 So in my opinion, it would -- it would  
19 predate the special contract tariff that you're  
20 referring to, and so in my opinion, if the contract  
21 was to be canceled or renegotiated, it would have to  
22 be approved by the Commission still.

23 Q. So in your opinion, GST would not be --  
24 would not qualify for the current special contract  
25 tariff Schedule SCS?

1           A.     I wouldn't -- I wouldn't consider -- I  
2     wouldn't believe that they would qualify under that  
3     until the expiration of this current contract, another  
4     four years.

5           Q.     But as -- and to clarify, for other  
6     potential customers, that tariff allows special  
7     contracts to be entered into prior to notification of  
8     the Commission?

9           A.     Yes.   The current special contract tariff,  
10    and I'm not sure that's the exact title of it, but the  
11    tariff you're referring to enables the company and  
12    customers to negotiate contracts and submit those  
13    contracts to the Office of Public Counsel and Staff  
14    for review, but there is no Commission approval  
15    required for those contracts.

16          Q.     And notification would occur after they  
17    became effective?

18          A.     That's correct.

19          Q.     I wanted to ask you one more series of  
20    questions, and this relates to the Position Statement  
21    that KCPL has taken in this case regarding Issue 2A.  
22    Do you have those position statements?

23          A.     I don't believe I have a copy.

24          Q.     I'll wait until you get one to look at.

25          A.     Okay.  I've got a copy.

1           Q.     If you would, I guess, familiarize yourself  
2     there with KCPL's position on Issue 2A on pages 1 and  
3     2 of that pleading.

4           A.     Okay.

5           Q.     Okay. And I believe that Position Statement  
6     in the last sentence says that, in the event the  
7     Commission determines that the charges imposed under  
8     the GST/KCPL special contract are too low and  
9     therefore no longer just and reasonable, then the  
10    Commission should order that KCPL bill GST using the  
11    applicable rates in KCPL's large power tariff which  
12    have been previously approved by the Commission; is  
13    that correct?

14          A.     That's correct.

15          Q.     And that is -- that is your position in this  
16    case?

17          A.     That's correct.

18          Q.     On what basis do you believe that the  
19    current GST special contract charges are too low, or  
20    are you aware of any?

21          A.     I don't believe I'm testifying or even this  
22    Position Statement says that I believe they're too low.

23                 (REPORTER'S NOTE: At this time, an  
24    in-camera session was held, which is contained in  
25    Volume 8, Pages 480 through 494 of the transcript.)



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1 JUDGE THOMPSON: Mr. Bier.  
2 (Witness sworn.)  
3 JUDGE THOMPSON: Thank you, sir. Please  
4 take your seat and spell your name for the reporter.  
5 THE WITNESS: It's Michael E. Bier, B-i-e-r.  
6 JUDGE THOMPSON: Please proceed. Are we  
7 still in-camera?  
8 MR. REYNOLDS: No.  
9 JUDGE THOMPSON: We don't need to be  
10 in-camera. Therefore, the Commission will continue in  
11 public session at this time. Who is taking direct?  
12 MR. REYNOLDS: I am.  
13 JUDGE THOMPSON: Mr. Reynolds, please  
14 proceed.  
15 MICHAEL E. BIER testified as follows:  
16 DIRECT EXAMINATION BY MR. REYNOLDS:  
17 Q. Please state your name and address. Excuse  
18 me. Please state your name and business address.  
19 A. It's Michael E. Bier, 4400 East Front  
20 Street, Kansas City, Missouri.  
21 Q. And by whom are you employed?  
22 A. Kansas City Power & Light Company.  
23 Q. Did you cause to be filed in this matter  
24 rebuttal testimony that has been marked as Exhibit 14?  
25 A. Yes, I did.



1 Q. Do you have any changes or corrections that  
2 need to be made to your testimony?

3 A. No.

4 Q. If I were to ask you the questions contained  
5 in your testimony, would your answers be the same?

6 A. Yes, they would.

7 Q. Are your answers true and accurate to the  
8 best of your knowledge and belief?

9 A. Yes, they are.

10 MR. REYNOLDS: I move for admission of  
11 Exhibit 14 as well as offer Mr. Bier for  
12 cross-examination.

13 JUDGE THOMPSON: Thank you, Mr. Reynolds.  
14 Are there any objections to the receipt of Exhibit 14?

15 (No response.)

16 Hearing no objections, Exhibit 14 is  
17 received and made a part of the record of these  
18 proceedings.

19 (EXHIBIT NO. 14 WAS RECEIVED INTO EVIDENCE.)

20 JUDGE THOMPSON: Cross-examination,  
21 Ms. Shemwell?

22 MS. SHEMWELL: Just one.

23 CROSS-EXAMINATION BY MS. SHEMWELL:

24 Q. Mr. Bier, I was under the impression that  
25 most of the transmission problems have been resolved.

1 Is that a correct impression?

2 A. I think that's a correct impression, yes.

3 MS. SHEMWELL: Thank you. That's all I  
4 have.

5 JUDGE THOMPSON: Thank you, Ms. Shemwell.  
6 Mr. Brew?

7 MR. BREW: No questions, your Honor.

8 JUDGE THOMPSON: Thank you. Questions from  
9 the Bench, Vice Chair Drainer?

10 COMMISSIONER DRAINER: I just have one  
11 question.

12 QUESTIONS BY COMMISSIONER DRAINER:

13 Q. First, good afternoon.

14 Based on Commissioner Schemenauer's  
15 questions to Ms. Eldridge about the training hours,  
16 can you by any chance explain to us why in 1998 there  
17 were zero training hours?

18 A. No. I'm not familiar with that area. I'm  
19 not qualified to answer that.

20 COMMISSIONER DRAINER: All right. Thank  
21 you. No other questions.

22 JUDGE THOMPSON: Thank you, Vice Chair  
23 Drainer. Commissioner Murray?

24 COMMISSIONER MURRAY: No questions. Thank  
25 you.

1 JUDGE THOMPSON: Thank you, Commissioner

2 Murray. Commissioner Schemenauer?

3 COMMISSIONER SCHEMENAUER: No questions.

4 JUDGE THOMPSON: Thank you. There being --

5 let's see. We had some cross-examination. Redirect?

6 REDIRECT EXAMINATION BY MR. REYNOLDS:

7 Q. Mr. Bier, the distribution problems that  
8 were -- that are contained in GST's complaint, were  
9 these problems remedied prior to the date the  
10 complaint case was filed?

11 MR. BREW: This is not responsive to the  
12 questions that were posed, your Honor.

13 MR. REYNOLDS: Well, I believe it's --  
14 Ms. Shemwell asked whether the problems had been  
15 remedied, and I'm asking basically when the problems  
16 were fixed.

17 JUDGE THOMPSON: Redirect is directed both  
18 to cross-examination and questions from the Bench. So  
19 I will overrule the objection. Please proceed,  
20 Mr. Reynolds.

21 BY MR. REYNOLDS:

22 Q. Do you need me to repeat the question?

23 A. Yes, please.

24 Q. The problems regarding KCPL's distribution  
25 system that are contained in GST's complaint, were

1       those problems fixed prior to the time that GST filed  
2       this complaint case?

3           A.       They were either fixed or in the process of  
4       being fixed.  There was a lot of initiatives that KCPL  
5       had taken to correct those problems, and most of them  
6       were fixed prior to the time of the complaint.  Some  
7       were in process still.

8           MR. REYNOLDS:  Thank you very much.

9           JUDGE THOMPSON:  Thank you, Mr. Reynolds.  
10       You may be excused, Mr. Bier.

11          THE WITNESS:  Thank you.

12          (Witness excused.)

13          JUDGE THOMPSON:  Christine Davidson.

14          MR. FISCHER:  Your Honor, before we began  
15       the hearing in this case we realized that we had  
16       essentially come to an agreement on the issue that  
17       Christine Davidson had testified about.  Therefore, we  
18       did not bring her down here, and GST had indicated  
19       they would waive cross on that particular witness.

20                So I would ask that her testimony, which has  
21       been marked as Exhibit 15, be stipulated into the  
22       record without cross.

23          JUDGE THOMPSON:  Any objections?

24          (No response.)

25                Okay.  There being no objections to the

1 receipt of Exhibit No. 15, the same is received and  
2 made a part of the record of these proceedings.

3 (EXHIBIT NO. 16 WAS RECEIVED INTO EVIDENCE.)

4 JUDGE THOMPSON: At this time do  
5 Complainants rest?

6 MR. BREW: Yes, your Honor.

7 JUDGE THOMPSON: Okay. Do the other parties  
8 rest?

9 MS. SHEMWELL: Yes, your Honor.

10 MR. FISCHER: Yes, your Honor.

11 JUDGE THOMPSON: Thank you.

12 We will establish a briefing schedule at  
13 this time. Do the parties have a briefing schedule in  
14 mind? Complainants?

15 MR. DeFORD: Your Honor, when can we expect  
16 a transcript? I think that may --

17 JUDGE THOMPSON: The transcript is due in  
18 two weeks from the close of the hearing unless we  
19 request an expedited hearing. There's been no such  
20 request so far.

21 MR. FISCHER: Your Honor, I might suggest  
22 simultaneous with a reply after 20 days or something  
23 like that.

24 MR. DeFORD: The reason I'm hesitating is  
25 I'm trying to --

1           MR. FISCHER: Think about the other cases?

2           MR. DeFORD: Well, other cases, but I think  
3 more importantly we'd like to try and target, if  
4 possible, a decision to be made prior to June 1.  
5 That's going to be a push, I know.

6           JUDGE THOMPSON: Well, don't do briefs at  
7 all. We can make it next week.

8           MR. DeFORD: I waived cross on a lot of  
9 witnesses. How soon would we have an expedited  
10 transcript?

11          JUDGE THOMPSON: Well, there are different  
12 degrees of expedition specified in the state contract,  
13 one day, three days, five days.

14          How about if we ask for the transcript by  
15 Monday. Is that possible?

16          THE REPORTER: Yes.

17          JUDGE THOMPSON: And then how long will the  
18 parties need to produce their initial briefs if they  
19 have their transcripts that soon?

20          MR. FISCHER: Your Honor I think we can do  
21 20 days if that would work. That's typical.

22          JUDGE THOMPSON: So 20 days after the  
23 transcript is filed. Monday is the 24th of April, and  
24 20 days after the 24th of April would be --

25          MR. DeFORD: That would put us at the 15th

1 of May. Could we do simultaneous initials and move it  
2 up a week from that?

3 MS. SHEMWELL: No.

4 MR. BREW: How about the 10th?

5 JUDGE THOMPSON: Let me explain to the  
6 parties that the speed with which the Commission is  
7 able to produce a decision even after the briefs are  
8 filed is dependent very largely upon the schedule of  
9 the individual Commissioners as well as the press of  
10 other work pending in front of the Commission.

11 So even if you-all were to finish your  
12 briefing by May 10th, there is no guarantee at all  
13 that the Commission would be able to produce a  
14 decision in this quite complex case by June 1st.  
15 Okay. And I don't want you to make your calculations  
16 thinking that there is a guarantee. There simply  
17 cannot be in this case.

18 MR. BREW: We understand that, but I think  
19 we'd like to get the decision in your hands as  
20 expeditiously as possible.

21 JUDGE THOMPSON: We can certainly produce  
22 one as quickly as we can, but there is a two-week  
23 period in May when there are going to be many  
24 Commissioners out, and you need to bear that in mind.

25 MR. FISCHER: Your Honor, how about if we

1 did May 12 and replies on May 26? That way we have a  
2 little bit of --

3 JUDGE THOMPSON: It's fine with me if it's  
4 fine with the people who will be writing those briefs.

5 MR. BREW: Why don't we make it the 12th and  
6 the 24th?

7 MR. FISCHER: Okay. 12th and 24th.

8 JUDGE THOMPSON: You're agreed to the 12th  
9 and 24th? Okay.

10 Now I'm going to add to your burden because  
11 it's going to help me with my burden, and that is I am  
12 going to request Proposed Findings of Fact and  
13 Conclusions of Law, and these will need to be filed  
14 together with the Initial Brief. And the Proposed  
15 Findings of Fact are going to need to have citations  
16 to the place in the record where that fact may be  
17 found.

18 I am concerned that there have been no fact  
19 witnesses in this case. There have been many, many  
20 experts who may have all been fine experts, but I have  
21 not heard any fact witnesses. So you may want to  
22 address yourself to the questions as to whether there  
23 is a sufficient record to support the Commission in  
24 making a finding of fact with respect to the various  
25 facts that you would like us to find, if I have stated



1       that in a way that makes sense.

2               I would like to thank counsel and  
3       congratulate you on the job you've done in trying this  
4       difficult case. Are there any further matters before  
5       we adjourn at this time?

6               Hearing none, this hearing is adjourned.

7               WHEREUPON, the hearing of this case was  
8       concluded.

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1	I N D E X		Page
2			
3	STAFF'S EVIDENCE:		
4	EVE A. LISSIK		
5	Direct Examination by Ms. Shemwell	298	
6	Cross-Examination by Mr. Dority	300	
7	Cross-Examination by Mr. Brew	308	
8	Questions by Chair Lumpe	312	
9	Questions by Commissioner Drainer	315	
10	Questions by Commissioner Murray	322	
11	Questions by Commissioner Schemenauer	324	
12	Further Questions by Commissioner Murray	328	
13	Questions by Judge Thompson	329	
14	Further Questions by Commissioner Drainer	331	
15	Further Questions by Chair Lumpe	332	
16	Recross-Examination by Mr. Dority	333	
17	Recross-Examination by Mr. Brew	338	
18	Redirect Examination by Ms. Shemwell	361	
19	MICHAEL S. PROCTOR		
20	Direct Examination by Ms. Shemwell	362	
21	Cross-Examination by Mr. Fischer	363	
22	MICHAEL S. PROCTOR (In-Camera Session - Vol. 8)		
23	Cross-Examination by Mr. Fischer	368	
24	Cross-Examination by Mr. Brew	375	
25	Questions by Chair Lumpe	377	
26	Questions by Commissioner Drainer	381	
27	Questions by Commissioner Murray	385	
28	Questions by Commissioner Schemenauer	387	
29	Further Questions by Commissioner Drainer	390	
30	Recross-Examination by Mr. Fischer	392	
31	Recross-Examination by Mr. Brew	398	
32	GST'S EVIDENCE:		
33	DON SCOTT NORWOOD		
34	Direct Examination by Mr. Brew	402	
35	Cross-Examination by Mr. Reynolds	404	
36	Questions by Chair Lumpe	440	
37	Questions by Judge Thompson	441	
38	Further Questions by Chair Lumpe	442	
39	Further Questions by Judge Thompson	448	
40	Recross-Examination by Ms. Shemwell	449	
41	Recross-Examination by Mr. Reynolds	452	
42			

KCP&L'S EVIDENCE:

M. MONIKA ELDRIDGE, P.E.

Direct Examination by Mr. Reynolds	455
Questions by Commissioner Drainer	456
Questions by Commissioner Schemenauer	459
Questions by Judge Thompson	461
Further Questions by Commissioner Drainer	465
Recross-Examination by Mr. Brew	467
Redirect Examination by Mr. Reynolds	470

## CHRIS B. GILES

Direct Examination by Mr. Fischer	473
Cross-Examination by Mr. Coffman	475

## CHRIS B. GILES (In-Camera Session - Vol. 8)

Cross-Examination by Mr. Coffman	480
Questions by Commissioner Drainer	484
Redirect Examination by Mr. Fischer	489

WILLIAM H. KOEGEL (In-Camera Session - Vol. 8)

Direct Examination by Mr. Dority 492

## MICHAEL E. BIER

Direct Examination by Mr. Reynolds	495
Cross-Examination by Ms. Shemwell	496
Questions by Commissioner Drainer	497
Redirect Examination by Mr. Reynolds	498

1  
2  
3  
4  
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E X H I B I T S

Marked Rec'd

EXHIBIT NO. 7	
Surrebuttal Testimony of Don Scott	
Norwood	403
EXHIBIT NO. 8	
Rebuttal Testimony of Michael S.	
Proctor	363
EXHIBIT NO. 8HC	
Rebuttal Testimony of Michael S.	
Proctor, Highly Confidential	363
EXHIBIT NO. 9	
Rebuttal Testimony of Eve A. Lissik	300
EXHIBIT NO. 10	
Cross-Surrebuttal Testimony of Eve A.	
Lissik	300
EXHIBIT NO. 11	
Rebuttal Testimony of M. Monika	
Eldridge, P.E.	456
EXHIBIT NO. 12	
Rebuttal Testimony of Chris B. Giles	475
EXHIBIT NO. 12HC	
Rebuttal Testimony of Chris B. Giles,	
Highly Confidential	475
EXHIBIT NO. 13	
Rebuttal Testimony of William H.	
Koegel	494
EXHIBIT NO. 13HC	
Rebuttal Testimony of William H.	
Koegel, Highly Confidential	494
EXHIBIT NO. 14	
Rebuttal Testimony of Michael E. Bier	496
EXHIBIT NO. 15	
Rebuttal Testimony of Christine M.	
Davidson	500

1	EXHIBIT NO. 21HC		
2	Appendix B - EO-95-67	376	377
3	EXHIBIT NO. 22		
4	Corrected Schedule from Eve Lissik	451	452
5	EXHIBIT NO. 23		
6	FERC Form 1	451	452
7			
8			
9			
10			
11			
12			
13			
14			
15			
16			
17			
18			
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