

STATE OF MISSOURI  
PUBLIC SERVICE COMMISSION

**FILED**

APR 17 1987

TRANSCRIPT

PUBLIC SERVICE COMMISSION

CASE NO. : HO-86-139

In the matter of the investigation of steam  
service rendered by KANSAS CITY POWER & LIGHT  
COMPANY.

DATE : APRIL 10, 1987

PAGES : 414 to 535e, INCLUSIVE (INDEX: 535a-535e)

VOLUME NO.: SEVEN

OFFICIAL CASE FILE  
MISSOURI PUBLIC SERVICE COMMISSION

*Missouri Public Service Commission*

PROCEEDINGS

(EXHIBIT NOS. 47 TO 57 WERE MARKED BY THE  
REPORTER FOR IDENTIFICATION.)

EXAMINER HOGERTY: The hearing will come to  
order.

Mr. Sands, you may call your witness.

MR. SANDS: Thank you, Madam Hearing  
Examiner. We would call as our witness, Mr. Albert P.  
Mauro.

(Witness sworn.)

COMPENSATION ISSUE

ALBERT P. MAURO testified as follows:

DIRECT EXAMINATION BY MR. SANDS:

Q. Mr. Mauro, would you state for the  
Commission your name and address.

A. Albert P. Mauro, 6450 Jefferson,  
Kansas City, Missouri.

Q. By whom are you employed, Mr. Mauro?

A. Kansas City Southern Industries.

Q. And that address?

A. 114 West 11th Street, Kansas City,  
Missouri.

Q. You're here testifying on behalf of a group  
of customers that have collectively been referred to as the

*Missouri Public Service Commission*

1 customer intervenors; is that correct?

2 A. That's correct.

3 MR. SANDS: Madam Hearing Examiner, before  
4 we offer the testimony of Mr. Mauro as an exhibit and then  
5 make him available for cross-examination, we have had marked  
6 this morning a letter addressed to Mr. Mauro as  
7 Exhibit No. 47. And I would like to address just a few  
8 questions to Mr. Mauro on that before we do offer it into  
9 the evidence for these proceedings, if I may.

10 EXAMINER HOGERTY: You may.

11 BY MR. SANDS:

12 Q. Mr. Mauro, I'm going to show you a letter  
13 that has been marked as Exhibit No. 47 of these proceedings.  
14 Are you familiar with that letter?

15 A. Yes, I am, sir.

16 Q. Can you tell us to whom that letter is  
17 directed?

18 A. It is addressed to myself as vice-president  
19 and secretary of our company.

20 Q. And from whom was it received?

21 A. Mr. Philip Kirk, president of DST  
22 Realty, Inc., a subsidiary of our company.

23 Q. Could you indicate to the Commission the  
24 substance of Mr. Kirk's letter to you?

25 MR. BREGMAN: I'm going to object. The

*Missouri Public Service Commission*

1 letter speaks for itself and the letter is hearsay. When  
2 it's offered, I'm going to object to that. I would object  
3 to him summarizing the letter at this point.

4 MR. WALTHER: I will join in the objection.

5 MR. FINNEGAN: Likewise Jackson County joins  
6 in that.

7 EXAMINER HOGERTY: You may respond to the  
8 objection.

9 MR. SANDS: Madam Examiner, we would note  
10 that certainly, under the normal course of events, that this  
11 would be so objectionable as hearsay, perhaps otherwise  
12 being admitted.

13 But we would further note that, at the  
14 public hearing in Kansas City, Missouri, on March 30th, a  
15 report was offered as an exhibit in these proceedings  
16 dealing with the proposal for a waste energy system in  
17 Kansas City, Missouri. We believe that this letter that  
18 Mr. Mauro has received, as indicating the position of a very  
19 substantial customer of Kansas City Power & Light steam, is  
20 just as pertinent and relevant to these proceedings as was  
21 that report; and it should be something that the  
22 Commissioners are entitled to examine in reaching their  
23 conclusions in this case.

24 MR. BREGMAN: May I respond?

25 EXAMINER HOGERTY: You may.

*Missouri Public Service Commission*

1                   MR. BREGMAN: The report that was offered  
2 into evidence, first of all, was offered in Mr. Sand's  
3 presence. He had the opportunity to object. He didn't do  
4 that; he waived it. Secondly, it was offered--at the  
5 conclusion of the testimony, one of the authors of the study  
6 could have been cross-examined on it. Mr. Sands could have,  
7 moreover, requested the right to reserve cross-examination,  
8 having him appear down here at these hearings if he needed  
9 time to review the study. He didn't do that.

10                   The letter discusses the feasibility of  
11 alternatives and the study that was supposedly done by DST  
12 Realty. It was done under the auspices of Mr. Kirk. He is  
13 not present. Mr. Mauro, moreover, is the spokesperson for  
14 the intervenors. He had the opportunity, if they had done a  
15 study, to put that in his testimony. He didn't do that.

16                   Now, today at the hearing they're trying to  
17 stick in this study or conclusions from this study without  
18 any sponsoring witness, without any opportunity to cross-  
19 examine the witness. And on that ground, it's  
20 objectionable; it's hearsay and shouldn't be admitted.

21                   MR. WALTHER: I would also like to point out  
22 that it is Staff's position that, by admitting a letter such  
23 as this, another intervenor would be added to the case at  
24 this late date. And Staff does not believe that's  
25 appropriate or fair to the other parties.

*Missouri Public Service Commission*

1                   MR. SANDS: We would respond to both those  
2 positions that we have not asked that DST be added as an  
3 additional intervenor at this point and would simply again  
4 reiterate that the letter is relevant. It doesn't address  
5 the study, the testimony here. These people have conducted  
6 their own study.

7                   I should point out that, up until the first  
8 part of this year--if I misstate this, Mr. Mauro, I think  
9 you might be more familiar with the situation here--the  
10 buildings that are identified on the letter were owned by a  
11 partnership consisting of DST and another entity. The first  
12 part of this year, DST became the sole owner of these  
13 facilities. Had it been sole owner at the time that the  
14 intervention deadline was set, it is altogether possible and  
15 probable that this organization would have been one of the  
16 intervenors.

17                  Our point simply is that we do have a very  
18 substantial customer here who does indicate that it supports  
19 the KCP&L conversion proposal, as do the intervenors on  
20 whose behalf Mr. Mauro will speak today. And we think that  
21 this is competent and relevant for the Commission to  
22 consider.

23                  EXAMINER HOGERTY: The exhibit will be  
24 accepted purely for the purpose of showing that Mr. Mauro  
25 has received a letter. The hearsay nature of the letter is

*Missouri Public Service Commission*

1 recognized by the Bench.

2 MR. SANDS: Thank you, Madam Examiner.

3 EXAMINER HOGERTY: You may proceed and have  
4 Mr. Mauro adopt his testimony and--

5 BY MR. SANDS:

6 Q. Yes. At this point, Mr. Mauro, I am going  
7 to show you a copy of what has been marked as Exhibit No. 48  
8 in these proceedings. Do you recognize this?

9 A. Yes, sir.

10 Q. Is this a copy of the testimony that was  
11 submitted on your behalf and on behalf of the other customer  
12 intervenors in this case?

13 A. It is.

14 Q. And do you have anything to add to this  
15 testimony at this time?

16 A. I do not.

17 MR. SANDS: With that, Madam Examiner, we  
18 would offer Mr. Mauro for cross-examination and will offer  
19 his testimony as an exhibit at the conclusion of  
20 cross-examination.

21 EXAMINER HOGERTY: Is there a desire as to  
22 order of cross-examination?

23 MR. FINNEGAN: I believe Kansas City Power &  
24 Light should go first since he's on their side.

25 MR. SANDS: I'm going to object to that

*Missouri Public Service Commission*

1 statement.

2 MR. BREGMAN: He means on his side of the  
3 room.

4 EXAMINER HOGERTY: Objection is noted.

5 Mr. English.

6 CROSS-EXAMINATION BY MR. ENGLISH:

7 Q. Good morning, Mr. Mauro.

8 A. Good morning, sir.

9 Q. Mr. Mauro, did you discuss your testimony  
10 with any KCPL representative before you filed it?

11 A. No, sir.

12 Q. Did any KCPL representative suggest to you  
13 what should or should not be in your testimony?

14 A. No, sir.

15 Q. Did your company intervene in any prior KCPL  
16 proceedings?

17 A. I will have to check with Mr. Davis because  
18 it was prior to my time. I believe we did.

19 Is that correct, Mr. Davis?

20 EXAMINER HOGERTY: Well--

21 THE WITNESS: May I direct my question to  
22 Mr. Davis, who is our--

23 I would say yes, sir, because I've been  
24 with the company for five years; and my understanding is  
25 that prior to that time we did intervene also.



*Missouri Public Service Commission*

1 BY MR. ENGLISH:

2 Q. Do you have any recollection of who was your  
3 counsel in that intervention?

4 A. The Davis firm. Mr. Ilus Davis represented  
5 us at that time.

6 Q. Thank you, Mr. Mauro.

7 MR. ENGLISH: No further questions, your  
8 Honor.

9 EXAMINER HOGERTY: Mr. Walther.

10 CROSS-EXAMINATION BY MR. WALTHER:

11 Q. Yes. Mr. Mauro, did any of the intervenors  
12 in this case ever investigate alternatives to central  
13 station steam before KCPL announced its conversion plan?

14 A. I don't know whether they did or not, sir.  
15 I know that--I cannot answer that question.

16 Q. Did KCSI, the company that you are employed  
17 by, ever investigate alternatives to central station steam?

18 A. I believe that this came to our attention  
19 when the question of the steam plant going out of  
20 operation--and at that point, I think my testimony speaks to  
21 that--my written testimony speaks to what we did at that  
22 time.

23 Q. Was there a point in time that you became  
24 aware of rumors that Kansas City Power & Light Company  
25 was considering abandonment of central station steam

*Missouri Public Service Commission*

1 service?

2 A. I'm not sure I know what you mean by  
3 "rumors," sir.

4 Q. Was there ever a point in time that  
5 information came to your attention that advised you to be  
6 concerned that Kansas City Power & Light Company would  
7 terminate its central station steam service?

8 A. I don't recall of any. But there is so much  
9 information going across the newspapers in Kansas City. But  
10 I really don't recall, sir.

11 Q. Is DST Realty going to share in any of the  
12 cost of participating in this proceeding--

13 MR. SANDS: I'm going to object to that  
14 question, Madam Examiner.

15 EXAMINER HOGERTY: Objection is overruled.

16 THE WITNESS: Would you like to have me  
17 respond to that, sir?

18 BY MR. WALTHER:

19 Q. Yes.

20 A. No. DST Realty is an 89 percent wholly-  
21 owned subsidiary of our company, and they are not an  
22 intervenor. As I understand it, they did not intervene in  
23 these proceedings. So any cost would be attributed to  
24 Kansas City Southern Industries as the holding company.

25 Q. Does the analysis in the letter, which has

*Missouri Public Service Commission*

1 been labeled as Exhibit 47, assume that free electric  
2 boilers will be provided?

3 MR. BREGMAN: I'm going to object to the  
4 question. I believe the Bench's ruling was that the letter  
5 would not be accepted for its content concerning the  
6 studies, and I hate to have Mr. Walther open the door for a  
7 discussion to that study.

8 EXAMINER HOGERTY: That's true. The  
9 objection is sustained.

10 MR. WALTHER: I will withdraw the question.  
11 I have no further questions.

12 EXAMINER HOGERTY: Ms. Bjelland.

13 MS. BJELLAND: Yes.

14 CROSS-EXAMINATION BY MS. BJELLAND:

15 Q. Good morning, Mr. Mauro.

16 A. Good morning.

17 Q. I have just a few questions pertaining to  
18 the energy audits performed by Energy Masters. Can you tell  
19 me if KCI (sic) had an independent energy audit or study  
20 performed by someone other than Energy Masters?

21 A. I don't believe we did independent. We have  
22 sufficient expertise in our own staff since we own  
23 considerable buildings. And I think our own engineers  
24 accepted and were very, very satisfied with that study, yes,  
25 ma'am.

*Missouri Public Service Commission*

1 Q. Can you tell me if any of the other  
2 individual customers in the intervenor group had independent  
3 energy studies performed by someone other than Energy  
4 Masters?

5 A. I cannot answer that question. I'd have to  
6 ascertain that by talking to the intervenors directly.

7 MS. BJELLAND: Okay. Thank you. No further  
8 questions.

9 EXAMINER HOGERTY: Mr. Bregman.

10 MR. BREGMAN: Thank you.

11 CROSS-EXAMINATION BY MR. BREGMAN:

12 Q. Good morning, Mr. Mauro.

13 A. Good morning, sir.

14 Q. I would like to refer you to your testimony,  
15 Exhibit 48, Page 4.

16 A. May I get a copy of it, sir? Yes, sir.

17 Q. Referring you to the first question and  
18 answer on that page. You indicated that you first received  
19 information concerning the conversion plan on July 19, 1985;  
20 is that correct?

21 A. That's correct, sir.

22 Q. And that would have been by letter from  
23 Mr. Arthur Doyle?

24 A. I believe it was Mr. Doyle, but I don't  
25 recall who wrote the letter. But that is correct, sir.

*Missouri Public Service Commission*

1 Yes, sir.

2 Q. At that time, did the letter make you aware  
3 of a fact that KCPL was contemplating offering electric-  
4 fired steam boilers to customers at no charge?

5 A. I would have to have the letter in front of  
6 me, but I--if you have the letter--whatever the letter  
7 said. I believe that's correct; but I really don't recall,  
8 sir.

9 Q. Do you think that probably about July '85  
10 was when you became aware of KCP&L's proposal to offer  
11 electric-fired steam boilers?

12 A. Again, since I'm testifying under oath,  
13 without my having the letter in front of me and referring to  
14 that letter, I really don't feel comfortable answering that  
15 question. Am I making myself clear, sir?

16 Q. Yes.

17 MR. BREGMAN: Thank you. I have no further  
18 questions.

19 EXAMINER HOGERTY: Mr. Finnegan.

20 MR. FINNEGAN: Yes.

21 CROSS-EXAMINATION BY MR. FINNEGAN:

22 Q. Mr. Mauro, you indicate in your testimony  
23 that your decision was based on information that you  
24 received from Kansas City Power & Light; is that correct?

25 A. Well, we didn't make our decision at that

*Missouri Public Service Commission*

1 time. It was part of our decision, sir. It was a  
2 significant part of making information available to us. We  
3 evaluated that and made an economic decision on our best  
4 interests, yes, sir.

5 Q. And what was the economic decision in your  
6 best interest that you made?

7 A. The economic decision in our best interest  
8 is that the plan offered by them would be the best answer  
9 for us to serve our buildings.

10 Q. And this is the offer of the \$166,000  
11 worth of boilers, equipment installation?

12 A. If that's the number, yes, sir.

13 Q. I believe on Page 6 of your testimony, you  
14 indicate \$166,381; is that correct?

15 A. That's correct, sir. Yes, sir.

16 Q. Had you ever explored natural gas  
17 alternative?

18 A. I think my testimony speaks to that, sir.  
19 No, we have not because we have judged that that would not  
20 be an acceptable alternative to us.

21 Q. Were you aware that the Energy Masters audit  
22 made no reference to natural gas as an alternative to steam  
23 heat?

24 A. Without going back and reading the report, I  
25 can't answer that with specificity, sir.

*Missouri Public Service Commission*

1 Q. Have you become aware of the Staff's  
2 testimony and exhibits in this case?

3 A. Just in general from newspaper reports.

4 Q. You have not had a chance to study those?

5 A. I have gone over--I have read the testimony;  
6 but not being an attorney and not having been to the  
7 proceedings, I would have to refer to them to be more  
8 specific, sir.

9 Q. Are you aware that the Staff proposal is  
10 that Kansas City Power & Light seek a prospective purchaser  
11 of this system and attempt to keep it operational?

12 A. Yes, sir.

13 Q. If that were possible, would you consider  
14 continuing the steam heat?

15 A. I think we would have to have a full  
16 understanding as to who that purchaser was and what their  
17 capacity was to have that system function. I would have a  
18 concern as to whether any other purchaser would have the  
19 capital and the support system necessary to maintain a very  
20 old and very complicated system. I'm viewing this as a  
21 user. We're looking out for our invested interest to make  
22 sure we maintain the integrity of our business in downtown  
23 Kansas City.

24 Q. Are you aware that in recent years in the  
25 City of St. Louis a company came in and purchased the

*Missouri Public Service Commission*

1 existing electric generating station that also produced  
2 steam and is now operating the system?

3 A. As a general concept, yes, I am, sir.

4 Q. If it meant economic sense to Kansas City  
5 Southern Industries to continue with the steam system, you  
6 would have no objection to that; is that correct?

7 A. I guess not. That's an iffy question. And  
8 we have many proposals put to us in business--they ask us to  
9 defer decisions, based upon some potential, coming down on  
10 the line. And we have to make decisions on a business-like  
11 basis on a day-to-day basis.

12 Q. Without the offer of \$166,000 in boilers and  
13 installation, would you be supporting Kansas City Power &  
14 Light's plan?

15 A. I'm not sure I understand the thrust of your  
16 question, sir.

17 Q. If the Commission were to disallow the offer  
18 of \$166,000 in boilers as an unlawful promotional practice  
19 and said that Kansas City Power & Light could not do this,  
20 would you still be in support of Kansas City Power & Light's  
21 plan to discontinue the system?

22 MR. SANDS: I'm going to object to that  
23 question as being hypothetical.

24 EXAMINER HOGERTY: Overruled.

25 THE WITNESS: I'd have to look--we would



*Missouri Public Service Commission*

1 have look at the economics of that, and I'm not really  
2 sure--I cannot answer that question this morning, sir.

3 BY MR. FINNEGAN:

4 Q. Is the offer of the \$166,000 for the boiler  
5 and its installation one of the major factors for supporting  
6 Kansas City Power & Light's plan?

7 A. No, sir.

8 Q. Is it a consideration in your decision?

9 A. Well, you consider everything in an economic  
10 decision. I mean, what's best for your own--best interest.  
11 We believe this is the best answer, to furnish steam and  
12 heat service to our facility. And we think we made a  
13 consider judgment and stand on that judgment, sir.

14 Q. Have you discussed with the other ten  
15 intervenors, I believe it is, whether or not they would  
16 support or continue to support the plan if they were not  
17 offered free boilers?

18 A. I can't remember that--whether we discussed  
19 that specifically. I would have to ask--if I could ask my  
20 counsel as to whether he recalls a meeting that we had, but  
21 I really--

22 Q. You are the witness.

23 A. I know I am. I cannot recall any discussion  
24 of that, sir.

25 Q. You do not purport to speak for all the

*Missouri Public Service Commission*

1 steam customers, do you, that are served by Kansas City  
2 Power & Light?

3 A. I'm not an attorney. I'm an intervenor.  
4 I'm representing all of them--

5 Q. I'm saying all of the steam customers--all  
6 130 steam customers?

7 A. No, sir. I'm only representing those who  
8 have agreed to--that I would intervene for them.

9 Q. Are you aware that two of Kansas City  
10 Power & Light's largest steam customers, the City of  
11 Kansas City and the County of Jackson, support the Staff's  
12 proposal and are opposed to the company's proposal?

13 A. Yes, sir.

14 Q. An area of common agreement, you do not wish  
15 to see rates increased, do you?

16 A. That's absolutely correct, sir.

17 Q. Are you aware that, under the Staff's  
18 proposal, that rates would not increase if that were  
19 accepted by the Commission?

20 A. Yes, sir.

21 MR. FINNEGAN: That's all the questions.

22 EXAMINER HOGERTY: Mr. Kennett.

23 CROSS-EXAMINATION BY MR. KENNETT:

24 Q. Mr. Mauro, in response to a question from  
25 Mr. Bregman, I believe you stated you first became aware of

*Missouri Public Service Commission*

1 the prospect that steam service would be discontinued  
2 sometime in 1985; is that correct?

3 A. Yes. To the best of my knowledge, yes, sir.  
4 Are you referring to the letter of correspondence on Page 4  
5 of my testimony?

6 Q. No, I'm not referring to anything  
7 specifically other than what Mr. Bregman--your conversation  
8 with him.

9 A. Yes. My answer is the same I gave before,  
10 yes, sir.

11 Q. Now, in looking at the affidavit attached to  
12 your testimony filed herein, which would be Exhibit 48, it  
13 was prepared or completed on the 20th of February, 1987; is  
14 that correct?

15 A. That's correct.

16 Q. And what is today's date, if you know?

17 A. I'll have to check. It's April 10th.

18 Q. Would you agree that the hearing in this  
19 case started on Monday, April 6th?

20 A. I believe that's correct.

21 Q. I believe you said that DST Realty is an  
22 89 percent subsidiary of Kansas City Southern Industries?

23 A. That's correct, sir.

24 Q. The date on Mr. Kirk's letter, Exhibit 47,  
25 is what?

*Missouri Public Service Commission*

1           A.     What is Exhibit 47, sir?

2           Q.     Mr. Kirk's letter to you.

3           A.     April 9th, yesterday.

4           Q.     Okay, yesterday. You didn't have this  
5 information then on the 20th of February, did you?

6           A.     No, we did not. Can I respond to that, sir?

7           Q.     You've already responded. Thank you very  
8 much.

9           MR. KENNETT: No further questions.

10          EXAMINER HOGERTY: Questions from the Bench?  
11 Commissioner Mueller.

12          COMMISSIONER MUELLER: No.

13          EXAMINER HOGERTY: Commissioner Hendren.

14          COMMISSIONER HENDREN: No.

15          EXAMINER HOGERTY: Commissioner Musgrave.  
16 Commissioner Musgrave.

17 QUESTIONS BY COMMISSIONER MUSGRAVE:

18          Q.     Mr. Mauro, DST Realty has been raised here.  
19 Could you tell me what their relationship is with Kansas  
20 City Southern?

21          A.     Well, DST Realty is a subsidiary of DST  
22 Services, Inc. DST Realty is a wholly-owned subsidiary of  
23 DST Services, Inc. DST Services, Inc., is an 89 percent  
24 owned subsidiary by Kansas City Southern Industries. DST  
25 Realty manages all the realty interest of DST Services, Inc.

*Missouri Public Service Commission*

1 And some of those are joint ventures, some of those are  
2 partnerships, some are wholly-owned properties that they  
3 manage. Mr. Kirk is president of that subsidiary, of DST  
4 Services, Inc.

5 Q. Does DST Realty own or manage buildings  
6 within the Kansas City Power & Light steam loop?

7 A. Yes, ma'am. They own the Centennial  
8 Building, the Board of Trade Building, Dwight Building, and  
9 the Insurance Exchange Building in downtown Kansas City as  
10 well as some other properties.

11 Q. Are all of those buildings that you just  
12 mentioned served by the downtown steam loop?

13 A. Yes, ma'am.

14 Q. Are those buildings considered office  
15 buildings or apartment buildings or what is the--

16 A. They're all office buildings.

17 Q. Are they occupied buildings?

18 A. They're all fully occupied--well, I would  
19 say virtually fully occupied. We're very proud of our  
20 occupancy rate in our buildings. Most of them are occupied  
21 by our own operations of DST.

22 Q. The reason that DST has served as an agent  
23 for a portion of Kansas City Southern Industries is--are  
24 they brother-sister corporations?

25 A. Well, they're corporate entities; and they

*Missouri Public Service Commission*

1 operate within their own constraints and their own cost  
2 centers. I would not say it is a brother-sister. We expect  
3 them to operate and operate on a profitable basis.

4 Q. And have they been considered responsible  
5 property managers in Kansas City?

6 A. We think they are, yes, ma'am.

7 Q. Do they have a staff of professionals that  
8 assist them with their management of their buildings?

9 A. They do.

10 Q. Do they have people that are familiar with  
11 their heating and air conditioning systems in their  
12 building?

13 A. They do.

14 Q. And would you consider them to be competent  
15 people?

16 A. We certainly think they are because they  
17 have done quite well to satisfy their clients as well as  
18 their shareholders.

19 Q. Are these buildings, that you just  
20 mentioned, are they newer construction or are they older  
21 buildings--

22 A. These are all older buildings. Some of the  
23 older buildings of downtown Kansas City are well kept.

24 Q. And if the steam system in Kansas City were  
25 discontinued for some reason or another, the present steam

*Missouri Public Service Commission*

1 system, would these buildings be capable of making their own  
2 decision as to what kind of heating appliance that they  
3 would need?

4 A. We would except them to make their own  
5 decisions as to what's in their best economic interest.

6 Q. Mr. Mauro, the possibility of some other  
7 company or municipality or governmental entity taking over  
8 the steam system in Kansas City, in your opinion, as  
9 administrator and as being involved in the City of  
10 Kansas City for some time, do you think that that is a very  
11 realistic possibility?

12 A. Well, based on my experience, both in the  
13 private and the public side, I would be very surprised if  
14 that would occur. I've seen many, many proposals in the  
15 past not come to fruition because they either don't make  
16 economic sense or you can't generate the capital or you  
17 can't generate the fixed contracts and it--making a certain  
18 prospect work. I've had enough frustrations in those areas  
19 over the years. I'm not saying that it could not occur. I  
20 mean, based on my own personal experience, I would be very  
21 doubtful that it would come to fruition.

22 Q. Do you think that it would be a possibility  
23 that the steam system could be operated as the public  
24 bus service is operated in Kansas City? I mean, would you  
25 consider that to be successful or a problem?

*Missouri Public Service Commission*

1           A.     You put me in a very sensitive position,  
2 Ms. Musgrave. I would be concerned about that, yes, ma'am,  
3 as to whether it might end up having some of the same  
4 operational problems.

5           Q.     What is your thought of a trash-to-energy  
6 program serving the downtown areas for steam?

7           A.     I don't know enough about it. I think I can  
8 see some--I see a very extended period in terms of trying to  
9 come up with a--not only a study. I'm not sure we would  
10 locate that and how you deal with the environmental issues  
11 of the trash and how you haul it in and how you burn it and  
12 what its effect is on the immediate environs of the  
13 downtown, forgetting about what the economic issues are of  
14 putting that together.

15                     I think you couple that with the fact that  
16 you've also already had significant businesses and property  
17 owners downtown who are not hooked into the central system.  
18 And I don't see how you could get them to come back into the  
19 system, such as the new Commerce Bank building. And I think  
20 the AT&T building and others made economic decisions not to  
21 be tied into the system.

22                     So I'm really not an economist, do not  
23 understand economics of each of these systems. I would  
24 think that theoretically, if it could work, it would be an  
25 option that should be considered. I don't think I'm going



*Missouri Public Service Commission*

1 to see it in my operational lifetime come to fruition.

2 Q. Do you think that these new buildings that  
3 have come on line in Kansas City in the last two years that  
4 haven't gone on the steam system made an economic decision  
5 or do you think that they wanted some other type of heat  
6 besides the steam?

7 A. I can't answer that, Ms. Musgrave. I really  
8 don't know. I know they made their own decisions, and I was  
9 not aware of them until after they were announced that they  
10 were--my assumption was that they were hooking into the  
11 system. They obviously made a very detailed study and  
12 decided that they wanted to be independent. Did I answer  
13 your--

14 Q. Is Truman Medical Center on the downtown  
15 steam loop?

16 A. No, they are not. And I had hoped we could  
17 have been, but we were not able to--there was no extension  
18 of that steam system of the Truman Medical Center when I  
19 planned that and put it together. So that is separately  
20 supported by its own heating plant.

21 COMMISSIONER MUSGRAVE: All right. Thank  
22 you. That's all I have.

23 EXAMINER HOGERTY: Commissioner Fischer.

24 QUESTIONS BY COMMISSIONER FISCHER:

25 Q. Mr. Mauro, there are many alternative

*Missouri Public Service Commission*

1 recommendations that are in front of the Commission. And I  
2 have some questions for you concerning how your intervenor  
3 group would react to adoption of some those different  
4 alternatives. One of our problems is knowing what is the  
5 likely outcome if we would adopt a particular position. And  
6 I know that is somewhat speculative, but I would like to ask  
7 you these questions.

8                   One of the alternatives would be to not  
9 authorize the installation of free electric boilers, not  
10 authorize the rate increase now but authorize abandonment  
11 of the steam system by 1991. There is also a recommendation  
12 that we request the company to open the--perhaps the bidding  
13 process or determine whether there are prospective buyers  
14 out there.

15                   What would your intervenor group reaction be  
16 if we basically ended up with an Order that said no free  
17 boilers, no rate increase now, authorize the abandonment of  
18 the system by 1991 making it contingent upon the company  
19 accepting prospective purchases or offers for the system?  
20 Would you expect your intervenor group to remain on the  
21 steam system or would they go to some alternative method of  
22 heating under that kind of scenario?

23                   A. Well, I don't know what your ultimate  
24 outcome would be in terms of the Commission. I think it  
25 would depend upon the--until we saw the Order.

*Missouri Public Service Commission*

1 Q. I understand.

2 A. As we see in many, many of these issues,  
3 many times you don't make a final decision until you know  
4 it's definite. I would--I think our position would be  
5 that--that we have taken our position. We think that what's  
6 been proposed is a reasonable solution to what we see as  
7 both a practical and an economic problem facing a public  
8 utility and facing us as users. It would be very difficult  
9 for me to respond to that this morning, sir, without  
10 thinking about that some more.

11 Q. Okay. One of the other alternatives would  
12 be to not approve the abandonment of the system--in which  
13 event I think the company is recommending and I think the  
14 Staff has indicated a revenue deficiency of \$3.2 million.  
15 If the PSC approved the company's alternative proposal to  
16 keep the system on but increase the rates by 3.2 million,  
17 would you expect any of your intervenor group to terminate  
18 the steam service?

19 A. We have to look at the economics of that,  
20 sir. I think that we feel that there is no need for an  
21 increase even though you may find one. I think we'd have to  
22 look at the economics of that before we would make a  
23 decision.

24 We have determined that it's not--we don't  
25 wish to install a gas system for our own reasons, economic

*Missouri Public Service Commission*

1 as well as our projection of what's going to occur, we  
2 think, in this supply of gas, which is a finite supply. We  
3 like the proposal of the electric-generated system within  
4 our building. That's what's before us, and we've made a  
5 decision to go that way. We would have to restudy the whole  
6 matter based upon whatever decision you reached.

7 Q. So your company has gone electric and gone  
8 off the steam system?

9 A. We're not off yet; but we have committed  
10 ourself to do so, yes, sir.

11 Q. Irrespective of what the steam rates would  
12 be?

13 A. Well, the steam rates are already  
14 established in terms of what they are; isn't that correct?  
15 Your scenario would be they might be increased, is that  
16 correct, sir?

17 Q. That's right. Yes. So even if they remain  
18 stable, your company would intend to go to--

19 A. Yes, I think--our prediction is that  
20 sometime that system is going to be abandoned. I don't know  
21 how the Power & Light Company can expect to maintain that  
22 system without spending considerable sums of money.

23 If you're not familiar with downtown  
24 Kansas City, at times it looks like it's been a ravaged  
25 area, with the crews trying to struggle to keep the system

*Missouri Public Service Commission*

1 up. And it's a concern to us. I think we're concerned  
2 about the own stability of our business. We have our major  
3 computer systems in our building. We cannot afford to  
4 abandon our building because of inadequate heating.

5 They have done an excellent job of supplying  
6 electric energy to us. They've got a double support system  
7 for us and are available on a 24-hour basis to support us.  
8 So even though we're adversaries in other issues in terms of  
9 the hauling coal and so forth, they've given us excellent  
10 service as a utility.

11 Q. Is your company one of the companies that  
12 had the test boilers installed?

13 A. No. No, sir.

14 Q. Have you already purchased an electric  
15 boiler?

16 A. I don't believe we have. I think that we  
17 have committed ourself to do so, but I don't believe we  
18 have. I would have to ask the--I'd have to direct the  
19 question--I am not--I don't believe we have, sir. No, sir.

20 Q. So does the Commission's decision on  
21 whether it will permit the installation of free electric  
22 boilers affect your decision on whether you are going to  
23 stay on the steam system?

24 A. I think that it did have some economic  
25 impact on us. I think if you delay your decision, we might

*Missouri Public Service Commission*

1 delay our decision. We have not installed a system. We  
2 believe in redundancy. Our company's founding is a  
3 railroad, and we believe in high maintenance and redundancy.  
4 And so, if you made a decision to delay or defer, we might  
5 make a decision to delay or defer. We might also decide to  
6 go ahead anyway, based upon the realities of what we see as  
7 life before us.

8 I think my point is that--if you say you're  
9 not going to abandon the system, I think our prediction is  
10 at some future date, economics or some other catastrophe may  
11 decide to close the system; and we cannot be sitting there  
12 naked without heat in our building.

13 Q. Well, let me ask you this: If Kansas City  
14 Power & Light was authorized to provide free electric  
15 boilers, would you expect all of the intervenors that you  
16 represent to accept that offer?

17 A. They have indicated that, yes, sir.

18 Q. So none of them, in your opinion, would go  
19 to natural gas boilers?

20 A. I'd have to go back and ask them. I don't  
21 know whether they would or not. I think that they would  
22 prefer the offer that has been made by the Power & Light  
23 Company. There has been no other offer made that I'm aware  
24 of to any of the intervenors.

25 Q. Based on free boilers. You could always

*Missouri Public Service Commission*

1 purchase natural gas boilers, could you not?

2 A. Yes, sir. I guess you can, yes, sir.

3 Q. Would you expect some of the natural gas--  
4 some of your intervenor group to go to natural gas if free  
5 natural gas boilers were offered?

6 A. I cannot answer that, sir. We've decided we  
7 would not go that way for our own--based upon our own  
8 analysis of that issue.

9 Q. If free natural gas boilers were available,  
10 would you expect that to be a major factor in your decision  
11 of your intervenor group to choose an alternative heating  
12 source other than steam?

13 A. I cannot answer that, sir.

14 COMMISSIONER FISCHER: Thank you very much.

15  
16 EXAMINER HOGERTY: Chairman Steinmeier.

17 QUESTIONS BY CHAIRMAN STEINMEIER:

18 Q. Mr. Mauro, when you say that Kansas City  
19 Southern Industries would not choose--has decided that it  
20 would not choose natural gas as an option, that is true even  
21 if natural gas boilers were offered free? Is that what I  
22 understand you to have said?

23 A. Yes, sir. That's correct, sir.

24 Q. And that is true even if the electric boiler  
25 was not offered free and you would have to buy it?

*Missouri Public Service Commission*

1           A.     We have not done that analysis, sir. I  
2 don't believe I answered the question in that manner, did I?

3           CHAIRMAN STEINMEIER: Okay.

4           COMMISSIONER FISCHER: I'm not sure either.

5           THE WITNESS: No, I don't believe I answered  
6 the question in that manner, sir.

7 BY CHAIRMAN STEINMEIER:

8           Q.     Okay. And is that true even if you would  
9 have to pay electric rates for the electricity utilized to  
10 run the electric boiler on premises rather than paying the  
11 steam rate?

12          A.     No. Our decision was based upon the  
13 proposal made by the Power & Light Company. And I would  
14 have to go back to the reference material. There was a  
15 step--I think a commitment--a proposal of a certain electric  
16 rate based upon the steam rate up to some certain point.  
17 That was part of our economic decision.

18          Q.     So your commitment not to go to natural gas  
19 is still revocable and is dependent--or was determined  
20 entirely on the basis of KCP&L's proposal in this case?

21          A.     No, because we believe--we also would want  
22 to factor into that in which we reached a conclusion that we  
23 don't have confidence in the predictability of the natural  
24 gas rates. We believe that the natural gas rates are going  
25 to see a significant increase for some future date, if it is



*Missouri Public Service Commission*

1 a finite source. We don't believe that the largess and  
2 the--is now available in natural gas and this sort of--the  
3 unnatural price is going to continue. Now, that is a value  
4 judgment, sir.

5 We think that the--it's more predictable in  
6 terms of what the rates would be electrically. I guess we  
7 would have to go back and evaluate the economic decision,  
8 but we've made it a policy decision not to use natural gas.  
9 We have no flues in our building. We have no way to vent a  
10 boiler, which is a considerable concern of ours since we've  
11 already--our building is fully utilized. I'm talking now  
12 specifically about Kansas City Southern Industries as one  
13 user, yes, sir.

14 CHAIRMAN STEINMEIER: Thank you. No further  
15 questions.

16 EXAMINER HOGERTY: Commissioner Mueller.

17 QUESTIONS BY COMMISSIONER MUELLER:

18 Q. Mr. Mauro, do you know what your average  
19 real estate rental rate would be per square foot in any of  
20 your buildings?

21 A. Not without calling our people. In Kansas  
22 City Southern Industries, all the space is used by ourselves  
23 and our own subsidiaries. So that's not a germane question.  
24 As far as DST Systems, Inc., I would have to call them and--

25 Q. You would have no way of knowing then what

*Missouri Public Service Commission*

1 they compute as utility charges per square foot for heating?

2 A. No, sir, I really don't. I was not prepared  
3 to deal with that question this morning, sir. I know it's  
4 competitive, and our customers are--our clients are  
5 apparently quite happy with the relationship they have with  
6 us.

7 Q. Has your company ever taken or instituted a  
8 comprehensive energy audit? And what I mean by that is not  
9 just analyzing the heating aspect of the building or the  
10 steam system but heat, cooling, lighting, installation,  
11 ideas like taking heat off of the computers and using it in  
12 the building and doing what we call a comprehensive energy  
13 audit and to have some type of a plan with a pay back over a  
14 period of years?

15 A. I'm sure we have, sir, because I know that  
16 we have--on a continual basis that we're implementing energy  
17 saving measures throughout the building, all our buildings  
18 that Kansas City Southern controls, whether it be changing  
19 the glazing on the buildings as well as the lighting systems  
20 as well as installing new thermostatic controls which turn  
21 the heat--the light off--the heat off.

22 As in my own office, mine is controlled when  
23 I turn my light on. When I come in to work in the morning,  
24 the system is operational; when I leave in the evening, it  
25 turns off the supply of heat in my office and also as well

*Missouri Public Service Commission*

1 as the air conditioning.

2 So we have our buildings--we've spent quite  
3 a bit of money in our buildings, zoning them and putting in  
4 controls in the buildings that we directly occupy. I cannot  
5 speak to DST since they have a variety of clients. But we  
6 do a conscious job in energy conservation in our properties.

7 COMMISSIONER MUELLER: Thank you.

8 EXAMINER HOGERTY: Redirect?

9 MR. SANDS: Just one question on redirect,  
10 Madam Examiner.

11 REDIRECT EXAMINATION BY MR. SANDS:

12 Q. Mr. Mauro, some of these questions that have  
13 been directed to you have involved your knowledge about  
14 other intervenors in this group and what they might  
15 determine in terms of electric or gas usage. At this point,  
16 you have no way of knowing what any other intervenor  
17 necessarily other than KCSI might select in terms of  
18 electric or gas; is that correct?

19 A. That's right, Mr. Sands.

20 MR. SANDS: No further questions.

21 EXAMINER HOGERTY: Mr. English.

22 MR. ENGLISH: No questions, your Honor.

23 EXAMINER HOGERTY: Mr. Walther.

24 RECROSS-EXAMINATION BY MR. WALTHER:

25 Q. Mr. Mauro, what has been the extent of your

*Missouri Public Service Commission*

1 contact with the other intervenors to this proceeding  
2 regarding the issues in this proceeding?

3 A. Well, we had an initial meeting; and I guess  
4 I was selected and agreed to be the intervenor for the  
5 group. I believe we've had perhaps one subsequent meeting.  
6 I believe we've had probably one meeting when I was selected  
7 and agreed to be the intervenor for the group. I've had no  
8 further contact with them on this issue. I contact them on  
9 other matters but not this issue since that time, sir.

10 Q. So you're not aware of what specific options  
11 that they might have considered or what their concerns are  
12 regarding the issues in this proceeding?

13 A. No. My assumption--no, sir. But my  
14 assumption would be they would have contacted me if they had  
15 any significant change in their position, sir.

16 Q. Did I understand your earlier testimony to  
17 say that you were at one time employed as administrator of  
18 Truman Medical Center?

19 A. That's correct.

20 Q. And in the course of that employment, you  
21 were interested in receiving steam service?

22 A. I made an inquiry of the Power & Light  
23 Company since--I don't know whether you're familiar with the  
24 Truman Medical Center. It's not in the downtown as we know  
25 it. It's south of the terminal tracks. The inquiry that we

*Missouri Public Service Commission*

1 made when we planned the medical center, which I felt I was  
2 meeting my responsibilities to that corporation since I  
3 planned and financed the facilities, was to ascertain  
4 whether we could abandon our heating plant and hook into the  
5 central steam system.

6           The alternative that was presented to us--  
7 the cost was prohibitive in terms of the Power & Light  
8 Company being able to extend that system. We even at one  
9 time spent considerable sums of money looking at an  
10 alternative with Northern Natural Gas as to whether they  
11 would construct a facility to serve both Truman Medical  
12 Center and Hospital Hill and Crown Center. That was  
13 judged not to be economically feasible, so we retained our  
14 plant at Truman Medical Center.

15           Q.     What caused you to be interested in  
16 receiving steam service at the Truman Medical Center?

17           A.     Well, because I had the responsibility for  
18 running that institution, I always was interested in the  
19 least costly way to provide both capital costs as well as  
20 operating costs.

21           You have to understand that the system that  
22 they had was both gas and fuel oil generated. And our gas  
23 rate was a reasonable one except they would terminate gas  
24 during peak times, and the rate would be such that it would  
25 be economically prohibitive. So I've had some experience in

*Missouri Public Service Commission*

1 my background of those unpredictable costs.

2 We would then have to use fuel oil, which  
3 was quite expensive. But since they would not furnish gas,  
4 we would have to go to fuel oil. And since it is a  
5 publicly-funded institution, the concern I always had was  
6 getting the maximum use out of the dollars and not transfer  
7 those costs from patient care to generate heat for the  
8 institution. That's my background which has been some years  
9 ago.

10 Q. Did you have any personal input into KCSI's  
11 decision not to consider gas as an alternative heating  
12 source?

13 A. I had input but not--basically that decision  
14 was made by our experts within our own company who were very  
15 familiar with the costs and the needs for our building and  
16 the reliability of a system. Those are not my direct  
17 responsibilities; but we tend to be a lean company, so we--a  
18 lot of us get involved in a lot of the issues.

19 MR. WALTHER: I have no further questions.

20 EXAMINER HOGERTY: Ms. Bjelland.

21 MS. BJELLAND: No questions.

22 EXAMINER HOGERTY: Mr. Bregman.

23 MR. BREGMAN: As tempted as I am to inquire  
24 about Northern Natural, I think I'll pass.

25 (Laughter.)

*Missouri Public Service Commission*

1 EXAMINER HOGERTY: Mr. Finnegan.

2 MR. FINNEGAN: Yes.

3 RECROSS-EXAMINATION BY MR. FINNEGAN:

4 Q. Just one or two, Mr. Mauro. Are you aware  
5 that Kansas City Power & Light has been approached by  
6 several people, including Thermal Resources of St. Louis,  
7 the operator of the system in St. Louis, to inquire as to  
8 whether or not the system is for sale?

9 A. I don't believe--I'm not aware of that, no,  
10 sir. I may have seen some references to it; but I don't  
11 have any specifics, no, sir.

12 Q. And you would not be aware that Kansas City  
13 Power & Light has advised that the system is not for sale?

14 A. They have advised them that it is not for  
15 sale?

16 Q. That's correct.

17 A. I'm not aware of that. I don't know why I  
18 would be, sir.

19 Q. How's that?

20 A. No, I do not--I'm not aware of that.

21 Q. As a corporate officer, if you had a losing  
22 division, division that was losing money, and someone with  
23 experience in the field approached you as to the possibility  
24 of purchasing your losing division, would you think it a  
25 prudent decision to consider the offer?

*Missouri Public Service Commission*

1 MR. SANDS: Object. It's hypothetical.

2 MR. FINNEGAN: I believe this witness can  
3 answer.

4 EXAMINER HOGERTY: Overruled.

5 THE WITNESS: I--from our own company's  
6 point of view, we generally look at every proposal if we  
7 think it is a serious one and has no other purpose behind  
8 it. Yes, I think we have a responsibility to consider  
9 those.

10 There may be times, however, that there are,  
11 quote, operations which are not profitmaking but have this  
12 energy with the company; and it makes sense to operate them  
13 even though they specifically by themselves may represent a  
14 loss. They may make other contributions to the company  
15 which would suggest that they should be not spun off or  
16 sold. So I cannot--it is a hypothetical question, because I  
17 don't think they're comparable in terms of our business; and  
18 I know nothing at all about the utility business.

19 Q. Assuming further that this business or this  
20 division that you are losing money on, you have plans to  
21 abandon it in a couple of years and no longer keep it in  
22 your operation.

23 MR. SANDS: Same objection. It is  
24 hypothetical and calls for speculation.

25 EXAMINER HOGERTY: I think you're really



*Missouri Public Service Commission*

1 going beyond the expertise of the witness as is relevant to  
2 this proceeding.

3 MR. FINNEGAN: Well, this witness is the  
4 vice-president and corporate secretary of Kansas City  
5 Southern Industries, which is a rather large corporation.  
6 He was also the head of the Truman Medical Center, so I  
7 believe he has--

8 EXAMINER HOGERTY: The objection was  
9 sustained.

10 BY MR. FINNEGAN:

11 Q. Mr. Mauro, you made a statement concerning  
12 seeing crews in the streets and the streets being torn up  
13 downtown; is that correct?

14 A. (The witness nodded his head.)

15 Q. You are aware that there are other utilities  
16 in the ground, such as water and sewer and telephone and  
17 cable, perhaps, and electricity besides steam?

18 A. Yes. I think I can--when I see steam coming  
19 out of the ground with the crew, I would say it was a crew  
20 working on a steam line, yes, sir.

21 Q. But you have seen other crews tearing up the  
22 streets too?

23 A. All the time. Yes, sir.

24 MR. FINNEGAN: That's all the questions.

25 EXAMINER HOGERTY: Mr. Kennett.

*Missouri Public Service Commission*

1 MR. KENNETT: I have no further questions  
2 for Mr. Mauro.

3 EXAMINER HOGERTY: Thank you, Mr. Mauro.

4 THE WITNESS: Thank you very much.

5 (Witness excused.)  
6

7 MR. SANDS: At this time, Madam Examiner, we  
8 would offer into evidence Exhibit No. 48, Mr. Mauro's  
9 testimony, and for the limited purpose previously approved,  
10 Exhibit No. 47.

11 EXAMINER HOGERTY: Exhibits 47 and 48 are  
12 received for the record.

13 (EXHIBIT NOS. 47 TO 48 WERE RECEIVED IN  
14 EVIDENCE AND MADE A PART OF THIS RECORD.)

15 MR. ENGLAND: Your Honor, KCPL would wish to  
16 recall Mr. Beaudoin to the stand.

17 EXAMINER HOGERTY: Let me remind you that  
18 you are still under oath, Mr. Beaudoin.

19 MR. BEAUDOIN: Yes.

20 MR. ENGLISH: Mr. Beaudoin's direct and  
21 rebuttal testimony have been previously identified as  
22 Exhibits 12 and 13 in this proceeding. He has no other  
23 prefiled testimony. Thus, I tender him for cross-  
24 examination.

25 EXAMINER HOGERTY: Ms. Young.

1 MS. YOUNG: Thank you.

2 COMPENSATION AND RATE ISSUES

3 BERNARD J. BEAUDOIN testified as follows:

4 CROSS-EXAMINATION BY MS. YOUNG:

5 Q. Good morning, Mr. Beaudoin.

6 A. Good morning.

7 Q. When you state that KCPL's present rates do  
8 not even fully recover the annual operating costs of the  
9 steam system, does the term "operating cost" there include  
10 administrative and general costs, depreciation, interest,  
11 property insurance, and property taxes?

12 A. It would include all of those items except  
13 interest and return.

14 Q. What percentage of operating costs, as you  
15 use the term there, are specifically traceable to steam  
16 operations as opposed to being an allocation from company's  
17 overall costs?

18 A. I don't know. I don't have the answer to  
19 that.

20 Q. If you're not covering your operating  
21 expenses under existing rates, do you believe that you will  
22 be able to do so in the event steam rates are increased?

23 A. Yes.

24 Q. You think that you'll fully be able to  
25 recover those costs?

*Missouri Public Service Commission*

1           A.     Yes. I believe under the cost of service  
2 that's been stipulated to in this proceeding, the  
3 3.2 million will be able to cover our operating costs.

4           Q.     Does that mean that you feel you will be  
5 able to retain and add to the system load in terms of the  
6 sales of Mlbs. of steam?

7           A.     I think I've already testified that an  
8 increase in steam rates in the long run will have a  
9 dampening effect on retention of our customers. In the  
10 short run, it will make a contribution to our operating  
11 costs.

12          Q.     What operating conditions are going to  
13 improve then that would result in you being able to change  
14 that situation from not being able to recover the operating  
15 costs to being able to do so?

16          A.     Well, there would not be a change in  
17 operating conditions. If there is a change in rates in the  
18 short run, the rates would go up and the revenue to the  
19 company would increase such that it would cover operating  
20 costs.

21                 I believe I already testified, in the long  
22 run, to the extent that customers are defect from the system  
23 because of economics, then the situation would change.

24          Q.     Didn't you also testify that customers are  
25 already defecting under existing rates?

*Missouri Public Service Commission*

1 A. Yes.

2 Q. I'm not following that. If rates go up, I  
3 assume then that additional customers are going to leave the  
4 system.

5 A. But there is a time lag.

6 Q. And you think that's adequate?

7 A. Well, it's adequate for the moment. That's  
8 why we've proposed our plan for abandonment and replacement  
9 with steam boilers.

10 Q. So it's your testimony that if the  
11 Commission approved a \$3.2 million increase in rates  
12 sometime in 1987, that for the calendar year following that  
13 decision, the company would recover that full \$3.2 million  
14 increase plus make up the operating loss that they are  
15 currently suffering from?

16 A. I'd say in the short term, it could well  
17 happen beyond 1987. But I would expect in the longer term,  
18 five years or longer, that we would have more defections  
19 from the system.

20 Q. Did you answer my question? Do you think  
21 you'll get the 3.2 million plus making up the existing  
22 operating losses in that first year?

23 A. The answer to my question is that the  
24 3.2 million will cover the operating losses, yes.

25 Q. And you think you will recoup that from the

1 customers that you have even if the customer base erodes  
2 further?

3 A. Well, the long term ability to continue to  
4 cover operating costs will depend at which rate the  
5 customers defect from the system.

6 Q. Okay.

7 A. There is a time lag.

8 Q. On Page 7 of your rebuttal testimony, you  
9 state--and I'll paraphrase, putting the question and answer  
10 together--in the event the company's plan is rejected by the  
11 Commission, in the interim KCPL will continue to operate its  
12 system. What do you mean by the term "in the interim"  
13 there?

14 A. Well, as I've just stated, we still expect  
15 in the long run that the economics of the system will  
16 change, that customers will choose other forms of energy  
17 sources that will be more economical in the long run. So  
18 the interim could be three to five years.

19 Q. Okay. So you're referring to the time  
20 between the Commission's Order in this case and the  
21 inevitable termination of the system?

22 A. Right. We have to examine the Commission's  
23 Order and take another look at the situation as time  
24 progresses.

25 Q. Does that imply that the company intends

*Missouri Public Service Commission*

1 to--that its response to a Commission decision to reject its  
2 plan would be to stay in business indefinitely?

3 A. Well, in the short run, yes.

4 Q. Mr. Beaudoin, were you in the room when  
5 Commissioner Fischer posed a scenario, a possible scenario,  
6 of a Commission decision to Mr. Mauro?

7 A. I was here when he posed several scenarios,  
8 yes.

9 Q. Okay. One of which was the possibility--and  
10 I'm going to try to restate it accurately--that the  
11 Commission would approve the termination of service; but in  
12 the interim, they would freeze rates and then require the  
13 company to pursue the option of sale of the system.

14 If the Commission were to issue such an  
15 Order, would the company pursue the sale option?

16 A. I think that would have to be discussed with  
17 our senior management. We would respond to the Order in any  
18 which way the Commission ordered it. Whether the company  
19 would actually execute a sale or follow it up would be a  
20 different decision.

21 MS. YOUNG: No further questions. Thank you.

22 EXAMINER HOGERTY: Ms. Bjelland.

23 MS. BJELLAND: No questions.

24 EXAMINER HOGERTY: Mr. Finnegan.

25 CROSS-EXAMINATION BY MR. FINNEGAN:

*Missouri Public Service Commission*

1 Q. Yes. Just one or two, Mr. Beaudoin.

2 Included in the steam revenues in this case are revenues  
3 from the City of Kansas City and Jackson County; is that  
4 correct?

5 A. Yes.

6 Q. And you supply the City of Kansas City and  
7 Municipal Auditorium, Bartle Hall, City Hall, and city  
8 courts--

9 A. I believe that's correct.

10 Q. --and the city police? And you supply  
11 Jackson County at the Jackson County Courthouse, the jail,  
12 and the Justice Center, and the former jail; is that  
13 correct?

14 A. Yes.

15 Q. Do you have available the revenue which you  
16 received from the city and the county and that you've  
17 included in the \$3.2 million?

18 A. No, but I believe--as I recall the  
19 stipulation, 3.2 million is roughly 66 percent increase over  
20 our current rates. So whatever revenue is in that  
21 3.2 million would be approximately 66 percent more than the  
22 current rates for--or current revenue from those customers.

23 Q. Could you supply us with the current  
24 revenues that you are receiving from the City of Kansas City  
25 and from Jackson County?



*Missouri Public Service Commission*

1           A.     I would be glad to. I don't have them here,  
2 but I would be glad to supply them.

3           Q.     Make them as a late-filed exhibit then?

4           A.     Fine.

5           MR. FINNEGAN: May I reserve that?

6           EXAMINER HOGERTY: That was the revenues  
7 received from Jackson County and Kansas City?

8           MR. FINNEGAN: And City of Kansas City.

9           EXAMINER HOGERTY: That will be Exhibit 58.  
10 It will be reserved for that exhibit.

11          MR. ENGLISH: For KCPL's information, what  
12 time period?

13          MR. FINNEGAN: The period in the test period.

14          MR. ENGLISH: 1985?

15          MR. FINNEGAN: Yes.

16          MR. ENGLISH: Sure.

17 BY MR. FINNEGAN:

18          Q.     1985 include the jail revenues or--

19          A.     Well, whatever--if it was for part of the  
20 year, it would be. It would be annualized, though, I  
21 believe.

22          MR. FINNEGAN: Okay. That's all the  
23 questions I have.

24          EXAMINER HOGERTY: Mr. Bregman.

25          MR. BREGMAN: Thank you.

*Missouri Public Service Commission*

1 CROSS-EXAMINATION BY MR. BREGMAN:

2 Q. Good morning, Mr. Beaudoin.

3 A. Good morning.

4 Q. In this revision to the steam task force  
5 report, there was the recommendation that KCP&L seek an  
6 Order allowing it to write-off--it was allowed to install  
7 the steam boilers at no charge, that KCPL be allowed to  
8 write-off the capital investment over the period from the  
9 time of installation through 1995; is that correct?

10 A. That's right.

11 Q. And I don't think the application for an  
12 accounting order has been made; but that is still part of  
13 the plan, is it not?

14 A. It is given that we have a Commission Order  
15 approving our plan, we'd apply for an accounting order to  
16 take care of the amortization.

17 Q. And that amortization would be used for rate  
18 purposes in the event that you filed a rate case down the  
19 line, wouldn't it?

20 A. Well, there would be an input to the rate  
21 case if we chose to recover it, yes.

22 Q. So you might not choose to recover, is that  
23 what you're saying?

24 A. That's right.

25 Q. And if your plan is accepted, you wouldn't

*Missouri Public Service Commission*

1 have any rate filings in any event until 1990; is that  
2 right?

3 A. I believe that's our intent. Our plan was  
4 to--if the Commission accepted the rate increase on a phase-  
5 in basis through 1990, we would not apply for further rate  
6 increases during that period of time.

7 Q. So your first rate application after this  
8 one, assuming it was accepted, would be one to be effective  
9 in 1991; is that correct?

10 A. That's right.

11 Q. The result of the proposal, if it was  
12 accepted on the amortization, would be you'd have--if a  
13 boiler were installed in 1987, you'd have an amortization  
14 rate of about 12 1/2 percent, is that right, as an 8-year  
15 useful life?

16 A. That's right.

17 Q. And if it's installed in '88, you'd have  
18 14.3; if it's installed in '89, 16.666 repeating; 1990,  
19 20 percent. Does that sound about right?

20 A. That's right.

21 Q. Now, the rate filing that you've made and  
22 the original deficiency that you calculated didn't include  
23 any investment in the boilers; isn't that true?

24 A. That's correct.

25 Q. So under your proposal, you wouldn't

*Missouri Public Service Commission*

1 start recovering any of the investment in these boilers or  
2 earning on the boilers until 1991; isn't that right?

3 A. If at that time the boilers are included in  
4 the cost of service, that's correct.

5 Q. That would be the earliest you would earn on  
6 it?

7 A. That's right.

8 Q. Isn't it true that during the tour of steam  
9 facilities, KCP&L estimated that the useful life of the  
10 boilers would be about 20 years?

11 A. I don't recall if it was discussed in the  
12 tour; but that's an approximate useful life for a boiler,  
13 yes.

14 Q. So the requested amortization proposal has  
15 nothing to do with the useful life of the boilers; isn't  
16 that true?

17 A. No. It has to do with the time frame in  
18 which we would like to get out of the steam business  
19 completely, including the electric boilers.

20 Q. It's a proposal where if you accepted  
21 and if your amortization schedule were accepted, a customer  
22 who took service through 1995 could get the steam boilers by  
23 taking its depreciated value which at that time would be  
24 zero; isn't that right?

25 A. That's right.

*Missouri Public Service Commission*

1 Q. I would just like to refer you to the  
2 testimony at Page 8, to your direct, Exhibit 12. And there  
3 you're discussing a letter from Mr. Doyle to the steam  
4 customers, the block quote there.

5 A. Yes.

6 Q. A letter which was sent in July of  
7 1985; is that right?

8 A. Right.

9 Q. And it refers to the development of a plan  
10 by KCP&L to install on-site electric boilers; is that  
11 correct?

12 A. Yes.

13 Q. Was it indicated to the customers at that  
14 time that KCP&L's installation of the boilers would be at no  
15 charge to them?

16 A. That's right. No up-front capital costs.

17 Q. And that was in 1985 that that part of the  
18 plan was made known?

19 A. I don't believe at that time we actually  
20 discussed the economics of the situation. I believe in  
21 1985, we were talking about the installation of the boilers;  
22 but I don't believe at that point we had talked about the  
23 cost of the boilers or whether they would be free of capital  
24 costs at that point.

25 Q. Do you know when the customers were first

*Missouri Public Service Commission*

1 made aware that it was KCP&L's proposal that the boilers be  
2 made available at no charge to them?

3 A. I believe it was at a meeting on March 13,  
4 1986 that the plan was finalized and presented to our  
5 customers in detail, which was the follow-up meeting that  
6 Mr. Doyle promised back in '85.

7 Q. Was the proposal presented in writing to the  
8 customers at that time?

9 A. Yes, both verbally and in writing.

10 Q. So they got the report that's attached to  
11 your Exhibit 12 testimony?

12 A. Yes, that's correct.

13 Q. Did you at that time advise the Commission  
14 or the Commission's Staff of your proposal to provide  
15 electric steam boilers at no charge to customers?

16 A. I believe the members of the Commission's  
17 Staff attended the meeting that we had with our customers.  
18 We made it known to them that we were having the meeting and  
19 left it to their judgment whether they wanted to attend. I  
20 believe somebody did attend. I don't know who specifically.

21 Q. Did you make KPL aware of the meeting?

22 A. Probably not.

23 Q. Did you make KPL aware of your proposal to  
24 provide electric steam boilers at no charge to the customers?

25 A. Not directly. I'm sure they got the word

*Missouri Public Service Commission*

1 very quickly.

2 Q. Did KCPL make a filing with the Public  
3 Service Commission under the promotional practices rule  
4 advising the Commission of its intention to offer electric  
5 boilers to customers at no charge as a promotional practice?

6 A. We didn't make a filing under that rule  
7 because we didn't believe we were--it affected the  
8 promotional practices. We made it as part of our filing in  
9 our June and July filings. We actually included it in our  
10 tariff.

11 Q. Was that served on KPL, the tariff with  
12 that information included in it?

13 A. Well, if KPL was served with the filing for  
14 the rate increase in the plan, then it was included in that,  
15 yes.

16 Q. But it wasn't served with that designated as  
17 a promotional practice; is that correct?

18 A. I don't believe so.

19 Q. And that was June and July of what year?

20 A. Let's see, I believe that would have been  
21 '86.

22 Q. When were the test boilers installed?

23 A. I believe they were installed, the first  
24 ones, in the fall of '85. Mr. Mandacina and, I believe,  
25 Mr. Graham have already testified in their testimony the

*Missouri Public Service Commission*

1 exact time.

2 Q. And KPL wasn't made aware of your intention  
3 to install the test boilers, was it?

4 A. Not directly. I'm sure they found out about  
5 it quickly.

6 Q. Not through a filing under the promotional  
7 practices?

8 A. No.

9 Q. Mr. Beaudoin, I would like to refer you to  
10 Page 3 of Schedule 1 to your Exhibit 12. In the first  
11 section you refer to the Revision to Report?

12 A. Yes.

13 Q. And there you--the report indicates--by the  
14 way, I believe you were the chairman of the task force,  
15 weren't you?

16 A. That's correct.

17 Q. So you were one of the authors of this  
18 report?

19 A. Yes.

20 Q. The report indicates that even if KCP&L  
21 receives a phasein of its revenue requirement as is  
22 calculated at 22 percent over four years, that a shortfall  
23 through 1989 of \$16 million would result; is that correct?

24 A. Yes.

25 Q. And that's total shortfall including all



*Missouri Public Service Commission*

1 operating costs, depreciation return?

2 A. Right. That was our estimate at the time,  
3 yes.

4 Q. And it's also my understanding that part of  
5 your proposal now is that if you're not allowed to provide  
6 free boilers and you are allowed to go out of the steam  
7 business, that you would forego any revenue increase between  
8 now and the end of 1990; is that correct?

9 A. That's correct.

10 Q. And that would result in a further  
11 shortfall, would it not, from the 16 million?

12 A. No. The 3.2 million per unit would be the  
13 shortfall. That's been the revised estimate.

14 Q. But the 16 million shortfall includes in it,  
15 as I understand, an increase in rates of 22 percent each  
16 year for four years, does it not?

17 A. That's right. That was the estimate done in  
18 our study. Of course, since that time, the test year has  
19 been updated and certain adjustments have been made in our  
20 operating expenses. So the company has stipulated with the  
21 Staff that the shortfall now is 3.2 million. So if we  
22 forego a rate increase for five years, we would forego  
23 revenues of 3.2 million per year.

24 Q. Well, the \$16 million was a total shortfall  
25 over--totally the shortfall in the Years 1, 2, 3, and 4;

*Missouri Public Service Commission*

1 isn't that correct?

2 A. That's right. So 3.2 million, let's say,  
3 times four years is about 13 million. So the differences in  
4 the estimates are about 3 million difference.

5 Q. Let me refer you to the initial filing in  
6 this case. I don't know if you have it in front of you or  
7 not.

8 A. No, I don't.

9 Q. I just want to show you--I'm not going to  
10 mark this as an exhibit--a filing made by the company May  
11 30th. This is over your signature, is it not?

12 A. Yes.

13 Q. And you indicated a shortfall of  
14 \$5.8 million?

15 A. That was our original revenue request.

16 Q. I understand. And you asked at that point  
17 that it be phased in 22 percent a year?

18 A. Yes.

19 Q. Now, had you gotten that request--and that  
20 was the basis, I guess, of what you're saying of the  
21 statement in your report; is that correct?

22 A. Well, the statement in the report even  
23 predated the filing that you just referred to me. It was an  
24 estimate at that time.

25 Q. But it included an assumption that you would

*Missouri Public Service Commission*

1 get increases somewhat like what is shown in your filing  
2 of May 30th?

3 A. Well, there may have been some differences  
4 in the filing. I can't tell you today what the differences  
5 are in the development of the 16 million at the time we  
6 prepared our report and in late 1985 and the actual filing  
7 of our rates in 1986, but the concept was the same, that  
8 there would be revenue shortfalls in that period of time.  
9 The numbers are different but there is still a revenue  
10 shortfall.

11 Q. I understand. I think I'm having trouble  
12 communicating with you. I think I'm going to stop at this  
13 point.

14 MR. BREGMAN: I have no further questions.

15 EXAMINER HOGERTY: Mr. Kennett.

16 MR. KENNETT: I have no questions for  
17 Mr. Beaudoin.

18 EXAMINER HOGERTY: Mr. Sands.

19 MR. SANDS: I have just one question.

20 CROSS-EXAMINATION BY MR. SANDS:

21 Q. Mr. Beaudoin, are you aware of any utilities  
22 that have abandoned steam service and offered a compensation  
23 plan similar to what is being proposed here by KCP&L?

24 A. Well, there was several cited in  
25 Mr. Dahlen's testimony. One in particular which is

1 analogous to ours is the one for Northern States Power.  
2 They abandoned steam service, I believe, in Fargo, North  
3 Dakota; and they offered gas boilers in their case.

4 And I believe Mr. Dahlen's figures are  
5 roughly two-thirds the costs of a gas boiler plus some fuel  
6 adjustment and certain bonuses for early conversion. The  
7 analogy, though, is that Northern States Power also serves  
8 gas in Fargo, North Dakota. So they offered an alternative  
9 in the fuel that they served.

10 MR. SANDS: No further questions.

11 EXAMINER HOGERTY: Questions from the Bench?  
12 Commissioner Hendren.

13 QUESTIONS BY COMMISSIONER HENDREN:

14 Q. I would like for you to give me some more  
15 information on the accounting authority order that the  
16 company anticipates requesting. Is that solely for the  
17 purpose of writing off the boilers or--

18 A. That's exactly it, under the theory that we  
19 would not own the boilers past 1995. So we would like to  
20 write them off over the time period for which we would own  
21 the boilers.

22 Q. Under what accounting theory would that be  
23 acceptable?

24 A. Well, I'm not our company's accounting  
25 expert; but I believe under FASB, once you seize

*Missouri Public Service Commission*

1 ownership of an asset, you should anticipate writing that  
2 asset off as of that date. The alternative would be to  
3 write it off on the basis of a, say, depreciation rate, at  
4 which time when you reach 1995, you would have to write off  
5 the remaining balance in the account. We would prefer to do  
6 it in a more average or levelized manner and write it off  
7 from the date of installation to 1995.

8 Q. So is it your company's opinion that the  
9 regulator determines how your financial statements are  
10 presented or the Financial Accounting Standards Board?

11 A. Well, the Financial Accounting Standards  
12 Board determines over all accounting rules. However, under  
13 FASB 71, the regulator does have an influence on how  
14 regulated utilities are allowed to write off assets.

15 Q. Under Accounting Standard 71, are you  
16 familiar with the activity on that standard over the last  
17 few years?

18 A. Yes, generally.

19 Q. And was it your company that testified in  
20 June on an amendment to Statement 71 in Stamford?

21 A. Yes.

22 Q. And at that time are you familiar with the  
23 dialogue that went on between some of the board members and  
24 your witness?

25 A. No, I'm not. I wasn't our company's witness

*Missouri Public Service Commission*

1 in that.

2 Q. Are you familiar with some of the steps that  
3 your company has been taking since the amendment came out  
4 and since Statement 90 in Missouri and in Kansas?

5 A. Yes.

6 Q. And in Missouri, has there been a change to  
7 your company's last decision in order to accommodate some  
8 changes that may have had an adverse effect on the company  
9 under the new Statement 90?

10 A. Yes, that's true.

11 Q. And are you requesting some major changes in  
12 your Kansas decision to accommodate 71 and 90?

13 A. Yes.

14 Q. And if you're familiar with 71, you know  
15 that they're continuing to discuss phasein?

16 A. Yes.

17 Q. As I understand your plan, your company's  
18 plan, you would have a phasein of rates under the scenario  
19 that you've presented?

20 A. Yes.

21 Q. And if you're familiar with 71, the only  
22 criteria--one of the major criteria for accepting phasein,  
23 which from the Board's discussions they're very reluctant to  
24 do anyway, is that phaseins will only be recognized with the  
25 completion of a new plant?

*Missouri Public Service Commission*

1           A.     I guess I'm not familiar with their latest  
2 pronouncements on that. I'm not aware of that specifically.

3           Q.     If we assume that that is one of the basic  
4 criteria which was in the original draft to the amendment to  
5 71 and has since been discussed and is still one of the  
6 criteria that they are considering, how would you recognize  
7 on your books a phasein on a plant that is not a newly  
8 completed plant?

9           A.     Well, in our phasein for the steam rates, we  
10 have not--first of all, have not asked for deferrals and  
11 return on those deferrals. So our phasein in this instance  
12 would not require the accumulation of a deferred asset.

13          Q.     Well, the deferred asset is a separate  
14 issue under the phasein plan. But the criteria, as set  
15 out in the draft, is that phaseins are only recognized when  
16 a newly completed plant comes on line because of rate  
17 shock.

18                 If the Commission would allow a phasein, and  
19 that is not acceptable under 71, would your company be in  
20 danger of coming out from under 71 because your rates  
21 were no longer set based upon your costs?

22          A.     I'd have to check this with our other  
23 accounting experts; but I would presume if that were the  
24 case and we still wanted to execute the effect of a phasein,  
25 the purpose of our proposing a phasein was to ameliorate the

*Missouri Public Service Commission*

1 rate increase, then we would have to propose to implement  
2 the rates on a step-by-step basis on an annual basis opposed  
3 to an automatic phase in if it presents a problem with FASB.

4 Q. And we discussed earlier an accounting  
5 authority order. Are you familiar with an accounting  
6 authority order this Commission gave you previously in  
7 relation to the Wolf Creek plant?

8 A. I'm not quite sure what aspect you're  
9 referring to.

10 Q. We gave you an accounting authority order  
11 allowing you to continue to book soft construction costs  
12 after the date the plant was completed but before the rate  
13 case?

14 A. Oh, yes. Yes.

15 Q. So you are familiar with that?

16 A. Yes.

17 Q. Are you familiar with the subsequent events  
18 to that accounting authority order?

19 A. Yes.

20 Q. And was one of those events that your  
21 company would have gotten a qualified opinion had the  
22 Missouri Commission not made some changes to recognize the  
23 problem that it created when it gave you that accounting  
24 authority order?

25 A. That's correct.



*Missouri Public Service Commission*

1 Q. Have you talked with your external auditors  
2 regarding the phase in portion of this particular scenario  
3 or plan that you have before us and, second, the impact of  
4 the accounting authority order?

5 A. No, I have not.

6 Q. So we have no assurance, if you're given an  
7 accounting authority order, we will not see problems down  
8 the road from your external auditor because it does not meet  
9 the--

10 A. I guess I can't answer that. I haven't  
11 discussed it with them.

12 Q. Thank you.

13 EXAMINER HOGERTY: Commissioner Musgrave.

14 COMMISSIONER MUSGRAVE: No. Thank you.

15 EXAMINER HOGERTY: Commissioner Fischer.

16 QUESTIONS BY COMMISSIONER FISCHER:

17 Q. Mr. Beaudoin, I just want to follow up on  
18 the question on the issue of offering the steam system for  
19 sale. Under what circumstances and conditions, if any,  
20 would the company agree to offer a steam system for sale?

21 A. To answer that question, I'd really have to  
22 discuss it with our senior management. We have not  
23 discussed that.

24 Q. That hasn't happened?

25 A. No.

*Missouri Public Service Commission*

1 Q. Okay. Thank you.

2 EXAMINER HOGERTY: Chairman Steinmeier.

3 CHAIRMAN STEINMEIER: No questions.

4 EXAMINER HOGERTY: Redirect?

5 REDIRECT EXAMINATION BY MR. ENGLISH:

6 Q. Mr. Beaudoin, to your knowledge, was the  
7 test boiler issue discussed in KCPL's 1985 electric rate  
8 case?

9 A. Yes, it was.

10 Q. To your knowledge, was KPL an intervenor in  
11 that case?

12 A. Yes, it was.

13 Q. Thank you.

14 EXAMINER HOGERTY: Ms. Young.

15 RECROSS-EXAMINATION BY MS. YOUNG:

16 Q. Mr. Beaudoin, isn't it true that Northern  
17 States Power also supplied electricity in Fargo, North  
18 Dakota at the same time?

19 A. I presume so.

20 Q. Okay. Thank you.

21 MS. YOUNG: No other questions.

22 EXAMINER HOGERTY: Mr. Bregman.

23 MR. BREGMAN: No questions.

24 EXAMINER HOGERTY: Ms. Bjelland.

25 MS. BJELLAND: No questions.

*Missouri Public Service Commission*

1 EXAMINER HOGERTY: Mr. Finnegan.

2 MR. FINNEGAN: No questions.

3 EXAMINER HOGERTY: Mr. Kennett.

4 MR. KENNETT: No questions.

5 EXAMINER HOGERTY: Thank you, Mr. Beaudoin.  
6 (Witness excused.)

7  
8 MR. ENGLISH: At this time, your Honor, I  
9 would like to offer Exhibits 12 and 13, Mr. Beaudoin's  
10 prefiled testimony in this case.

11 MS. YOUNG: No objection.

12 EXAMINER HOGERTY: Exhibits 12 and 13 are  
13 received.

14 (EXHIBIT NOS. 12 TO 13 WERE RECEIVED IN  
15 EVIDENCE AND MADE A PART OF THIS RECORD.)

16 EXAMINER HOGERTY: Staff may call its next  
17 witness.

18 MR. WALTHER: Staff calls James L. Ketter to  
19 the stand.

20 MS. YOUNG: Mr. Walther will be presenting  
21 this Staff Witness.

22 (Witness sworn.)

23  
24 COMPENSATION, TEST BOILERS, AND RATE ISSUES:

25 JAMES L. KETTER testified as follows:

*Missouri Public Service Commission*

1 DIRECT EXAMINATION BY MR. WALTHER:

2 Q. Mr. Ketter, will you please state your name  
3 and business address for the record.

4 A. James L Ketter, 301 West High, Jefferson  
5 City, Missouri.

6 Q. By whom are you employed and in what  
7 capacity?

8 A. I'm employed by the Missouri Public Service  
9 Commission as assistant manager of electric rates.

10 Q. Are you the same James Ketter who has caused  
11 to be filed in this case direct testimony which has been  
12 marked as Exhibit 49, rebuttal testimony which has been  
13 marked as Exhibit 50, and surrebuttal testimony which has  
14 been marked as Exhibit 51?

15 A. Yes, I am.

16 Q. Do you have any changes to make to your  
17 direct, rebuttal, or surrebuttal testimony at this time?

18 A. Yes, I do. In my direct testimony, I refer  
19 to phase-in rates from the Kansas City Power & Light Wolf  
20 Creek Order, and I want to update those phase-in rates as  
21 they were recently filed. In my testimony I refer to that  
22 on Page 10 on Line 24 where I indicate that the rate  
23 including ". . .franchise and sales tax will increase to  
24 5.369¢/Kwh." That should be changed to 4.901.

25 And I also provided a revised update that

*Missouri Public Service Commission*

1 has been marked as Exhibit 52 to revised Schedule 5 of my  
2 direct testimony.

3 Q. And you prepared Exhibit 52?

4 A. Yes.

5 Q. If I ask you the same questions today that  
6 you were asked in your testimony, would your answers be the  
7 same?

8 A. Yes, they would.

9 Q. And are the answers provided in your  
10 testimony true and correct to the best of your knowledge and  
11 belief?

12 A. Yes, they are.

13 Q. Mr. Ketter, do you have a copy of Exhibit 26  
14 with you?

15 A. Yes, I do.

16 Q. Could you identify that document?

17 A. These are notes from a meeting that the  
18 personnel from Kansas City Power & Light had with the Staff.  
19 It shows 12-7-84.

20 Q. And what Staff members attended that  
21 meeting?

22 A. The notes here indicate Chris Rogers, Bill  
23 Washburn, Kent K., Mike Zimmerman, Jim Ketter, Mike  
24 Mandacina, Bob Sullivan, and Bob Graham.

25 Q. Were there any Staff attorneys present at

*Missouri Public Service Commission*

1 that meeting to the best of your recollection?

2 A. No, not to my recollection.

3 Q. What was the subject matter of that meeting?

4 A. The meeting was to discuss problems with the  
5 steam system and lateral lines that serve steam customers in  
6 the Kansas City service area, the problems with losses and  
7 alternatives that might be considered to provide alternate  
8 sources of steam for those customers.

9 Q. Was the termination of the steam system the  
10 subject that was discussed at that meeting?

11 A. Not to my recollection, no.

12 MR. WALTHER: I have no further questions of  
13 the witness and tender him for cross-examination.

14 EXAMINER HOGERTY: Ms. Bjelland.

15 MS. BJELLAND: No questions.

16 EXAMINER HOGERTY: Mr. Bregman.

17 MR. BREGMAN: I have a few.

18 CROSS-EXAMINATION BY MR. BREGMAN:

19 Q. Good morning, Mr. Ketter.

20 A. Good morning.

21 Q. I would like to refer you to Exhibit 50,  
22 your rebuttal testimony, on Page 2.

23 A. Yes.

24 Q. In that large paragraph from Line 10 to 20,  
25 you're discussing KPL's proposal and rates and so on; is

*Missouri Public Service Commission*

1 that correct?

2 A. Yes.

3 Q. You make the statement that the "steam rate  
4 would not be appropriate because it would not reflect the  
5 cost of providing steam service from a on-site boiler,"  
6 correct?

7 A. That's correct.

8 Q. If KPL were to install a steam boiler and a  
9 chiller with its proposal at no cost to its customer, it  
10 would incur capital costs in connection with that  
11 installation, would it not?

12 A. Yes.

13 Q. And the proposal would be that it would also  
14 operate and maintain that facility and incur some  
15 maintenance costs, would it not?

16 A. Yes.

17 Q. And isn't it true that if it charged the gas  
18 rate, the gas rate would not recover any of those capital  
19 costs without recovering those operating and maintenance  
20 costs; is that correct?

21 A. Given that the boiler was provided free?

22 Q. Yes, sir.

23 A. That's correct.

24 MR. BREGMAN: Thank you. That's all I have.

25 EXAMINER HOGERTY: Mr. Finnegan.

*Missouri Public Service Commission*

1 MR. FINNEGAN: No questions.

2 EXAMINER HOGERTY: Mr. Kennett.

3 MR. KENNETT: No questions.

4 EXAMINER HOGERTY: Mr. English.

5 MR. ENGLISH: Thank you, your Honor.

6 CROSS-EXAMINATION BY MR. ENGLISH:

7 Q. Do you have Exhibit 26 in front of you,  
8 Mr. Ketter?

9 A. Yes, I do.

10 Q. Would you turn to the second page, please.

11 A. Yes, I have it.

12 Q. The first sentence says--or Arabic one--  
13 "Select customers for early conversion," does it not?

14 A. Yes, it does.

15 Q. Mr. Ketter, at the time of the December 1984  
16 meeting, did you think that there was a promotional practice  
17 problem with the concept of cutting off leaky laterals and  
18 installing electric boilers on customer sites?

19 A. No, I did not. I do not. The providing of  
20 equipment was going to be maintained and remain the property  
21 of the company to provide an alternate source of heating to  
22 these customers in those buildings that were identified on  
23 the radio lines. So that the equipment was not going to be  
24 provided to or given to the customer in that scenario, as I  
25 recall.



*Missouri Public Service Commission*

1 Q. If we extend your scenario, then is there  
2 any problem with KCPL providing electric boilers on all  
3 steam customers' premises if KCPL owns and maintains these  
4 boilers and charges the customers the steam rate?

5 A. My same argument would remain as far as the  
6 cost of service pricing of that utility, but the promotional  
7 practice rule provides that provision of that equipment to  
8 the customer. And under your scenario, it would not be  
9 provided.

10 Q. Suppose, Mr. Ketter, the Commission rejects  
11 KCPL's proposal to terminate central station steam service.  
12 Do you think it would be a violation of promotional  
13 practices if KCPL continued to own, operate, and maintain  
14 the five boilers that are presently at the five customers'  
15 premises?

16 A. One moment, please.

17 Q. Sure.

18 A. The promotional practice rule, again,  
19 provides the provision of that equipment to the customer.  
20 And if it would remain the property of the company, it is my  
21 opinion it would not conflict.

22 Q. Well, Mr. Ketter, did I understand your  
23 testimony correctly that it's your recollection of this  
24 December 1984 meeting that the company did not discuss with  
25 you any usage of the test boiler data or other plans for

*Missouri Public Service Commission*

1 the steam system?

2 A. As the notes imply, there was the benefit of  
3 having experience with on-site boilers that could be used to  
4 evaluate whether they were effective in providing alternate  
5 sources for those buildings and whether it was an economical  
6 choice for the company and all the customers of the steam  
7 system.

8 Q. And, in fact, Mr. Ketter, didn't  
9 Mr. Rasmussen write a letter to Mr. Bill Washburn in March  
10 of 1985 that discussed the application of the test data to  
11 determine how KCPL will approach steam service to the other  
12 downtown steam customers in the future?

13 A. I don't recall that letter.

14 Q. Mr. Ketter, did you review Mr. Cochran's  
15 rebuttal testimony filed in Phase IV of KCPL's last electric  
16 rate case?

17 A. I'm familiar with that rate case and  
18 somewhat familiar with his testimony, yes.

19 Q. Did you review it at any time?

20 A. I have reviewed the transcript of the  
21 testimony, and I don't recall seeing the exhibits recently.

22 Q. For purposes of refreshing your memory, I  
23 will give you an excerpt from Mr. Cochran's rebuttal  
24 testimony, Exhibit 135 in that case, and also a copy of  
25 Appendix WJC-3. Does that appear to be the letter that I

*Missouri Public Service Commission*

1 have previously mentioned?

2 A. Yes.

3 Q. Have you ever seen that letter before?

4 A. Yes, I recall the contents of that letter.

5 Q. Doesn't the third paragraph read, "Currently  
6 KCPL has contacted some customers and has a number of other  
7 customers under consideration for this conversion program.  
8 The experience gained us here in working with those  
9 customers will provide KCPL with the information necessary  
10 to determine how KCPL will approach steam service to the  
11 other downtown steam customers in the future." Was that an  
12 accurate recitation of that paragraph?

13 A. Yes, that's what the paragraph says,  
14 yes.

15 Q. Mr. Ketter, are there any specific capital  
16 charges to the steam customers under KCPL's conversion plan?

17 A. The capital charges will be absorbed by the  
18 company on the up-front conversion under the company's plan,  
19 but the ownership will be transferred either when the  
20 customer would buy the equipment at depreciated value or  
21 1995.

22 Q. The first day that a steam boiler is  
23 installed, if the company's plan is accepted, what costs for  
24 that day would the steam customer pay?

25 A. Will you repeat your question, please?

*Missouri Public Service Commission*

1           Q.     Assume with me that the conversion plan is  
2 accepted and an electric boiler is installed at a customer's  
3 site. That first day, what charges are the responsibility  
4 of the customer?

5           A.     It would be the effective steam rate. There  
6 would be no capital costs involved.

7           Q.     On Page 2 of your surrebuttal, Mr. Ketter,  
8 you made a reference to, I believe, McWirter buying an  
9 electric boiler. That wouldn't be the case of the KCPL's  
10 conversion plan, would it? Page 26, Page 2--I'm sorry.  
11 Line 26, Page 2 of your surrebuttal.

12          A.     And your question again, please?

13          Q.     Under KCPL's plan, wouldn't McWirter buy  
14 this electric boiler?

15          A.     No. It's my intention here to show that in  
16 the test boiler sites, the tariff steam rate has been less  
17 than the tariffed electric rate with the franchise and other  
18 taxes included. What the customer would have to do each  
19 month, if he would own the boiler--or the boiler was  
20 provided--if a phasein of rates--steam rates was approved,  
21 that that would be forcing the customer to an early purchase  
22 decision.

23                   As the steam rates would increase to the  
24 point of economic decision, and that would be determined by  
25 each individual customer, that they would have to make a

*Missouri Public Service Commission*

1 choice whether to hang with the system, the current steam  
2 rates, or choose another alternative that best suited them.

3 Q. Is it your testimony that any steam rate  
4 increase granted by this Commission is a prohibited  
5 promotional practice since it forces the steam customers to  
6 make a decision to stay on the system or leave?

7 A. No, I think it becomes an individual  
8 economic decision that an alternative of the steam tariff,  
9 the customer will judge his own economic choices given that  
10 approved tariff.

11 Q. Mr. Ketter, if KCPL's plan is accepted,  
12 won't the steam customers be able to make an economic choice  
13 in their own best interest between gas and electric  
14 alternatives?

15 A. I don't believe their own best interests are  
16 served by the masking of the cost of the electric  
17 alternative. There are a number of customers that might  
18 prefer the economics of gas alternative, and also there may  
19 be customers that prefer the gas as a source of energy.  
20 Each one has his own preference for the style, not only the  
21 economics of the alternate choice, but the company is  
22 providing an inducement to choose it, the electric  
23 alternative. And the customer is being induced to become an  
24 electric customer of Kansas City Power & Light through that  
25 conversion plan.

*Missouri Public Service Commission*

1 Q. You're talking about masking of costs,  
2 Mr. Ketter. Does the customer pay these masked costs?

3 A. Someone will pay the masked costs. The  
4 other utility customers who do not choose that or don't  
5 prefer to have the electric option will be uncompensated.  
6 They will have to make their alternate choices on the  
7 marketplace. And by offering the electric equipment, it,  
8 again, provides that inducement to make that energy source  
9 decision.

10 Q. But the customers under KCPL's plan  
11 will know precisely how much the steam rates are at that  
12 time, won't they?

13 A. Probably through 1990 they will, at the  
14 end of this case.

15 Q. We'll also know, at least through May 1993,  
16 what the electric rates are going to be, won't they?

17 A. Yes.

18 Q. Now, your revised Schedule 5 shows that in  
19 nominal terms, the electric rate is going to be less in 1993  
20 than it will be in 1986; isn't that true?

21 A. That's correct.

22 Q. Is it your opinion that the energy audits  
23 conducted by KCPL are a prohibited promotional practice?

24 A. Yes, I do.

25 Q. What's your rationale for that?

1           A.     As stated in my testimony, those audits were  
2 provided as consideration for work done on the customer's  
3 premise and that they did not provide a comparative analysis  
4 of the alternatives that were available for those customers  
5 and, therefore, prohibited by the promotional practice rule.

6           Q.     Let's take a look at those two elements.  
7 First of all, you're saying that it's consideration for work  
8 done on the customer's premises. What was KCPL getting from  
9 the customers in providing this audit?

10          A.     I believe the customer was being provided  
11 the consideration. The company was getting information on  
12 how to size on-site boilers. And the company was getting  
13 that information. The customer was provided specific design  
14 work on the electric alternative.

15          Q.     Do you think that's an inducement to the  
16 customer?

17          A.     Yes, I do.

18          Q.     How can it be an inducement to give the  
19 customer information on costs that he's not going to bear  
20 anyway?

21          A.     The cost is not part of the prohibitive  
22 practice, the providing of the consideration on the  
23 customer's premise. In the utility business, typically the  
24 meter is the point of service. We recognize that in most of  
25 our dealings between customers and utilities. And the

*Missouri Public Service Commission*

1 company has done considerable work on the customer's  
2 premise, providing design work, detailed design,  
3 conservation measures, and heat loss studies that were  
4 beyond what would be normally provided by marketing and  
5 sales reps that are employed by the company.

6 Q. Can you specifically separate the prohibited  
7 promotional practice aspects of the energy audits from the  
8 permissible energy audit information?

9 A. I believe as I previously stated, we know  
10 and accept those types of activities that company personnel  
11 typically do on the site. And they may be promotional. The  
12 promotional definition is quite broad. I think the line is  
13 very much broken when the company spends \$400,000 for work  
14 that is done on the customer's side of the meter or on the  
15 premise.

16 Q. So it's a matter of quantity and not  
17 inducement, Mr. Ketter, that determines whether or not  
18 something is a prohibited promotional practice?

19 A. In this instance, it's providing of  
20 consideration for work done on the customer's premise.

21 Q. Is that work helpful to Kansas City Power &  
22 Light in the event that the conversion plan is accepted by  
23 the Commission?

24 A. I believe the rule is still there, and it  
25 still has the provision for those promotional practices that



*Missouri Public Service Commission*

1 are prohibited or acceptable. I cannot give the company  
2 further direction on that issue.

3 Q. So if KCPL came to a customer and said, "We  
4 want to go through your building; and we want to take all  
5 sorts of measurements, but we're not going to give you  
6 anything for it," that would be okay?

7 A. I'm not sure.

8 Q. Have you reviewed these energy audits,  
9 Mr. Ketter?

10 A. Yes, I have.

11 Q. Do any of the energy audits give the  
12 proposed electric consumption of the electric boilers?

13 A. As I recall, yes, they do.

14 Q. Do you have Mr. Graham's direct testimony in  
15 front of you?

16 A. No, I don't.

17 MR. ENGLISH: May I approach the witness,  
18 your Honor?

19 EXAMINER HOGERTY: You may.

20 MR. ENGLISH: Let me provide you a copy of  
21 Mr. Graham's direct testimony which contains the energy  
22 audit of the Home Savings building. Would you take a look  
23 through there, please, and inform me where you find a  
24 calculation of the proposed electric consumption of the  
25 electrical boilers?

*Missouri Public Service Commission*

1           A.    Your question is consumption in kilowatt  
2 hours; is that correct?

3           Q.    Yes.

4           A.    And, again, your question was for proposed  
5 on-site boilers; is that correct?

6           Q.    Yes, sir.

7           A.    The only reference I see is the proposed  
8 heating load in peak demand but not in kilowatt hours except  
9 for the annual load in Mlbs. provided for the heat of that  
10 building.

11          Q.    Do you find that on Page 10?

12          A.    Yes.

13          Q.    In your review of this energy audit, did you  
14 find any costing out of the estimated electrical consumption  
15 of electric boilers?

16          A.    No, I don't recall seeing that.

17          Q.    Did you see any mention of operating and  
18 maintenance costs estimated for this proposed electric  
19 boiler?

20          A.    Not for the customer, no.

21          Q.    Thank you, Mr. Ketter.

22               EXAMINER HOGERTY: Questions from the Bench?  
23 Commissioner Mueller.

24               COMMISSIONER MUELLER: No.

25               EXAMINER HOGERTY: Commissioner Hendren.

*Missouri Public Service Commission*

1 COMMISSIONER HENDREN: No.

2 EXAMINER HOGERTY: Commissioner Musgrave.

3 QUESTIONS BY COMMISSIONER MUSGRAVE:

4 Q. Mr. Ketter, Mr. Mauro a while ago in his  
5 testimony--and I believe you are Mr. Ketter, aren't you?

6 A. Yes, ma'am, I am.

7 Q. Could you tell me what would be necessary in  
8 the way of a flue if you put in a gas-fired boiler in one of  
9 these old buildings?

10 A. A gas-fired boiler would require venting to  
11 the atmosphere. The problem with the steam that's provided  
12 by the company now typically comes into the basement and  
13 many of the conversion sites were putting equipment in the  
14 basement. A flue would be required to vent that gas  
15 equipment and many of the buildings do not have a flue built  
16 in. Some buildings, old buildings, have flues that were  
17 used for coal burning or oil years ago. But in absence of  
18 an existing flue, you may have to give up office space. And  
19 in some cases, there just may not be a good alternative to  
20 providing a flue.

21 Q. They would have to take it to the top?

22 A. I'm not sure of what the requirements would  
23 be for that.

24 Q. And you wouldn't have to install a flue if  
25 you had an electric boiler; is that correct?

*Missouri Public Service Commission*

1           A.     That's correct.

2           Q.     Thank you.

3           EXAMINER HOGERTY: Commissioner Fischer.

4           COMMISSIONER FISCHER: No.

5           EXAMINER HOGERTY: Commissioner Mueller.

6   QUESTIONS BY COMMISSIONER MUELLER:

7           Q.     Mr. Ketter, in regard to Commissioner  
8   Musgrave's questions, is there any way of putting your  
9   mechanical plant on top of a building as long as--I assume  
10   the steam system, steam users use a radiator system in most  
11   cases, the older buildings do, and put a plant filter on the  
12   top floors of a building so it could be vented and then help  
13   the steam down through the system?

14          A.     That is a possibility that I've seen  
15   discussed. You have some inefficiencies in that system.  
16   You have your gas line going completely through your  
17   building to your roof, and you're having to pull that hot  
18   air and steam down through the building instead of having  
19   your natural rising of heat in your building if you have it  
20   in your basement.

21          Q.     But I would assume that--aren't some of  
22   these systems on circulatory systems where there is  
23   circulatory pumps?

24          A.     Yes, they would circulate that, yes.

25          Q.     Also is it possible to put boilers in

*Missouri Public Service Commission*

1 adjacent buildings or may actually build an additional room  
2 onto a building, say, on a parking lot, and put a boiler in  
3 in that type of a capacity. That vents right through the  
4 roof of a one-story, two-store building?

5 A. That would be a reasonable alternative. And  
6 we've seen a few customers who own more than one building  
7 that are adjacent, and they can provide access to those  
8 buildings through their own property and have hooked up  
9 those buildings together under a central plant.

10 Q. When we're talking about buildings here,  
11 we're talking about a whole different--or a mix of  
12 buildings?

13 A. Very broad mix.

14 Q. Some of these are two-, three-story  
15 buildings, very narrow buildings in a downtown area, very  
16 low square footage. And then we're also talking about high  
17 rise office space; is that right?

18 A. That's correct. And very broad range in  
19 difference of age in those buildings.

20 Q. So each one has to be individualized as  
21 far as capacity and siting of the boiler?

22 A. That's correct.

23 Q. All right. Thank you.

24 EXAMINER HOGERTY: Redirect?

25 REDIRECT EXAMINATION BY MR. WALTHER:

*Missouri Public Service Commission*

1           Q.     Mr. Ketter, you stated in response to a  
2 question by Mr. English that the company's proposed  
3 conversion plan masks the true cost of the electric option.  
4 Would you explain what you mean by "it masks the cost"?

5           A.     The true cost of electric energy has been  
6 quantified by Staff Witness Dahlen to indicate that the  
7 electric option is the most expensive. Even with the  
8 rehabilitation of the central station steam, there are  
9 cheaper options than the electric option.

10                     The proposal, the conversion plan, provides  
11 an inducement to convert those steam customers to electric  
12 customers without having the complete well-being of the  
13 existing customers in mind, in my opinion.

14           Q.     Mr. Ketter, are you aware of whether Year 2  
15 of KCPL's phasein of the Wolf Creek rates is less than was  
16 originally scheduled by the Commission's Report and Order  
17 last April?

18           A.     Yes, it is less.

19           Q.     And is it possible that this could happen  
20 again in subsequent years?

21           A.     There is a scheduled phasein increase  
22 through the length of the current order. There is also an  
23 investigation in the rate design as far as what the tariffs  
24 should be in the future. So the phasein is in place, but  
25 that does not preclude some adjustments in the future.

*Missouri Public Service Commission*

1           Q.     So it's possible that this type of situation  
2 that we had this year could happen again?

3           A.     This situation came about specifically for  
4 the federal income tax reduction. Although it's a welcome  
5 relief for the customers, I don't foresee any other at this  
6 point.

7           Q.     I guess I'm not talking specifically about  
8 the Federal Tax Reform Act as much as I am that is it  
9 possible that there are other things in the future that  
10 could mean that the phase in is less than set out in the  
11 Commission's Report and Order?

12          A.     We've had experience with other utilities in  
13 the state recently about the level of earnings. If that  
14 became an issue before this company, there might be a  
15 possibility for a change in these rates.

16          Q.     Did the energy audits conducted by KCPL  
17 involve measuring electric boilers or sizing electric  
18 boilers as to how they would fit in a building?

19          A.     The capacity of that boiler was determined  
20 to meet the heating needs and also detail plans on where the  
21 boiler might be sited and other alterations that may be  
22 needed in the basement of that customer to receive an  
23 electric boiler. Those types of things were also provided  
24 by Energy Masters.

25          Q.     Did the audits provided by Energy Masters

*Missouri Public Service Commission*

1 include the development of schematic designs of electric  
2 boilers or diagrams of electric boilers?

3 A. In the review of the physical space, there  
4 was also what they call preliminary drawings on the layout  
5 of the facility in the customer's basement.

6 Q. Do you believe that the energy audits fit  
7 into the company's conversion plan?

8 A. I believe that was a necessary point for the  
9 company. There was some experience in not sizing electric  
10 on-site boilers. And this audit done by Energy Masters  
11 would more accurately size electric boilers for the  
12 information of the company if their plan was approved.

13 Q. So how would the energy audits be of  
14 assistance to the company in the event that the company  
15 conversion plan was approved?

16 A. In the event that the conversion plan was  
17 approved, it would provide the company with a better  
18 estimate of the size and the specifications of the boilers  
19 to be provided in each of the steam customers.

20 Q. One more question. Are Mlbs. of steam  
21 easily converted into kilowatt hours of electricity?

22 A. There are conversions that can be made and  
23 many have been applied in the exhibits that have been  
24 presented in this case. Btu content of steam and  
25 electricity is readily available. A conversion might



*Missouri Public Service Commission*

1 include some loss of efficiency in that conversion also.

2 Q. Another question. Are you aware of how much  
3 KCPL has spent to date on the energy audits?

4 A. It's in excess of \$400,000. That's  
5 presented, I believe, in--Staff Witness Haskamp has that  
6 information.

7 MR. WALTHER: I have no further questions.

8 EXAMINER HOGERTY: Ms. Bjelland.

9 MS. BJELLAND: No questions.

10 EXAMINER HOGERTY: Mr. Bregman.

11 MR. BREGMAN: No questions.

12 EXAMINER HOGERTY: Mr. Finnegan.

13 MR. FINNEGAN: No questions.

14 EXAMINER HOGERTY: Mr. Kennett.

15 MR. KENNETT: No questions.

16 EXAMINER HOGERTY: Thank you, Mr. Ketter.

17 (Witness excused.)

18

19 MR. WALTHER: At this time, I would like to  
20 offer into evidence Exhibits 49, 50, 51, and 52.

21 MR. ENGLISH: No objection, your Honor.

22 EXAMINER HOGERTY: Exhibits 49, 50, 51, and  
23 52 are received.

24 (EXHIBIT NOS. 49 TO 52 WERE RECEIVED IN  
25 EVIDENCE AND MADE A PART OF THIS RECORD.)

*Missouri Public Service Commission*

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EXAMINER HOGERTY: We will be in recess

until 1:15.

(The noon recess was taken.)

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*Missouri Public Service Commission*

1 EXAMINER HOGERTY: Come to order. Staff may  
2 call its next witness.

3 MR. WALTHER: Staff recalls Derick Dahlen to  
4 the stand.

5 EXAMINER HOGERTY: Let me remind you you're  
6 still under oath.

7 THE WITNESS: Yes.

8 COMPENSATION ISSUES:

9 DERICK O. DAHLEN testified as follows:

10 MR. WALTHER: I tender Mr. Dahlen for cross-  
11 examination.

12 EXAMINER HOGERTY: Ms. Bjelland.

13 MS. BJELLAND: Public Counsel has no  
14 questions.

15 EXAMINER HOGERTY: Mr. Bregman.

16 MR. BREGMAN: No questions.

17 EXAMINER HOGERTY: Mr. English. Excuse me.  
18 Mr. Kennett.

19 MR. KENNETT: No questions.

20 MR. ENGLISH: Nothing, your Honor.

21 EXAMINER HOGERTY: Thank you, Mr. Dahlen.  
22 (Witness excused.)

23  
24 MR. WALTHER: At this time, I'd like to  
25 offer into evidence Exhibits 28, 29, and 30.

*Missouri Public Service Commission*

1 MR. ENGLISH: No objection.

2 EXAMINER HOGERTY: Exhibits 28, 29, and 30  
3 are received.

4 (EXHIBIT NOS. 28 TO 30 WERE RECEIVED IN  
5 EVIDENCE AND MADE A PART OF THIS RECORD.)

6 EXAMINER HOGERTY: Mr. Walther.

7 MR. WALTHER: Ms. Young will be handling--

8 EXAMINER HOGERTY: Ms. Young.

9 MS. YOUNG: Thank you.

10 COMPENSATION AND RATE ISSUES:

11 CARY G. FEATHERSTONE testified as follows:

12 DIRECT EXAMINATION BY MS. YOUNG:

13 Q. Mr. Featherstone, you've previously  
14 testified in this case. And, in addition to the direct,  
15 rebuttal, and surrebuttal testimony that have previously  
16 been marked as Exhibits 17, 18, and 19, have you also caused  
17 to be prepared in this case surrebuttal testimony on rate  
18 issues, which has been designated Exhibit 53 in this  
19 docket?

20 A. Yes.

21 Q. Do you have any corrections or changes to  
22 make to Exhibit 53 at this time?

23 A. Not to my knowledge.

24 Q. Is the information contained in Exhibit 53  
25 true and correct, to the best of your knowledge?

*Missouri Public Service Commission*

1 A. Yes.

2 Q. And, if I were to ask you the questions  
3 contained therein, would your answers be the same today?

4 A. Yes.

5 Q. Do you wish to adopt that as your  
6 surrebuttal testimony in this case?

7 A. I do.

8 MS. YOUNG: Madam Examiner, we have  
9 discovered errors in two answers that Mr. Featherstone had  
10 previously on cross-examination. And I would inquire  
11 whether I might be permitted to have Mr. Featherstone  
12 correct those errors at this time. They deal with the  
13 calculation of test boiler usage and the gas rates in the  
14 city of St. Louis.

15 EXAMINER HOGERTY: You may proceed.

16 MS. YOUNG: Thank you.

17 BY MS. YOUNG:

18 Q. Mr. Featherstone, since your prior  
19 appearance on the stand, have you discovered that there was  
20 an error in the information regarding test boiler results?

21 A. Yes.

22 Q. And the Staff's calculation thereof?

23 A. Yes.

24 Q. And do you now have more accurate  
25 information on that? Would you please explain what the

*Missouri Public Service Commission*

1 prior problem was?

2 A. The first analysis that we did, the Staff  
3 took the Mlb. usage of the test project boilers, the five--  
4 the four test project customers' usage for the months of  
5 October of '86 through February of '87 and converted them to  
6 kwh's. And, in examining Mr. Ketter's testimony, we were  
7 having difficulty reconciling the differences in the  
8 analysis. And it was discovered that what we should have  
9 done was take the kwh usage, the metered actual usage, and  
10 apply the appropriate rate.

11 In my testimony on Tuesday, I stated that  
12 two of the project customers' usages would have been greater  
13 on the steam rate than the electric rate. And, when we made  
14 the correction for the actual usage, the metered kwh usage,  
15 in all instances, the steam rate is lower than the electric  
16 rate.

17 Q. And, for the accurate calculation, should  
18 the parties interested in this issue look at Mr. Ketter's  
19 testimony for the numbers and the calculations?

20 A. Yes.

21 Q. On the second subject, you were asked--

22 A. That was on an energy usage basis. The  
23 rates on an energy basis are lower--

24 Q. Okay.

25 A. --on the steam rate as compared to the

*Missouri Public Service Commission*

1 electric rate. It didn't change any of my testimony from  
2 Tuesday afternoon when I stated that, on an installed basis,  
3 energy and first cost, in all instances, the electric is  
4 higher. That doesn't change.

5 Q. And what was the problem with the  
6 information that you provided on the stand regarding gas  
7 rates in St. Louis?

8 A. I assumed that we were using--generally,  
9 when we do fuel at KCPL, we assume a one MMBtu rate equal to  
10 one Mcf. And, in doing the analysis, the assumption was  
11 using the heat content of gas of .970 MMBtu equals one Mcf.  
12 We also put in an efficiency level for the boiler itself.  
13 And I misstated when I said that it was \$4.23 an Mcf for gas  
14 in Kansas City. The tariff rate is \$3.28 per Mcf.

15 Q. Now, you've said that was in Kansas City.  
16 Is that what you meant?

17 A. Yes. And that was--that's the tariff rate  
18 for the small, medium, and large customers.

19 Q. In Kansas City and not St. Louis?

20 A. Yes. The numbers that I gave Tuesday are  
21 correct, but--in other words, the \$4.23 figure that I gave--  
22 and that's per MMBtu--is the correct number. That doesn't  
23 change from Tuesday's testimony.

24 MS. YOUNG: No further questions on direct.  
25 I tender the witness for cross-examination.

*Missouri Public Service Commission*

1 EXAMINER HOGERTY: Ms. Bjelland.

2 MS. BJELLAND: Public Counsel has no  
3 questions.

4 EXAMINER HOGERTY: Mr. Bregman.

5 MR. BREGMAN: No questions.

6 EXAMINER HOGERTY: Mr. Kennett.

7 MR. KENNETT: No questions.

8 EXAMINER HOGERTY: Mr. English.

9 CROSS-EXAMINATION BY MR. ENGLISH:

10 Q. Mr. Featherstone, aren't KPL rates expressed  
11 in terms of Mcf of gas?

12 A. Yes.

13 Q. Then why do you have to convert from million  
14 Btu's to Mcf's to determine KPL gas rates?

15 A. When you want to do a comparison between gas  
16 rates in St. Louis and Kansas City, you have to convert to  
17 the MMBtu basis. In St. Louis, their tariffs are set on a  
18 per therm basis so that, as an example--

19 Q. I understand that, Mr. Featherstone. My  
20 question is: Why do you have to do the conversion, if  
21 you're just building out from KPL gas service rates, to the  
22 dollar per Mcf that KPL would charge?

23 A. Well, you would be comparing apples and  
24 oranges, if you're looking at the rates in Kansas City as  
25 opposed to the rates in St. Louis, until you convert to the



*Missouri Public Service Commission*

1 MMBtu basis.

2 Q. Mr. Featherstone, my ultimate question is:  
3 How could you have made a mistake of almost \$1 per Mcf in  
4 just taking the KPL gas service rates, which are expressed  
5 in Mcf, in going to a per Mcf number?

6 A. Well, if you take the KPL gas service rate  
7 of \$3.28 for the small, medium, and large customer and  
8 factor up for the heat content of the .97, as I stated, and  
9 also to give effect to the boiler efficiency or the useable  
10 output of the energy, that factor--or those two factoring  
11 processes and take the \$3.28 per Mcf tariff rate to \$4.23  
12 per MMBtu, which I testified on Tuesday afternoon.

13 Q. Per MMBtu of what? Energy delivered?  
14 Energy input?

15 A. It's the output from the boiler. It's the  
16 useable energy.

17 Everything I testified to Tuesday afternoon  
18 was correct, with the exception of your question of what  
19 rate to a conversion were we using. We were saying that the  
20 MMBtu--one MMBtu equal one Mcf. In practical application  
21 for fuel annualizations, that's what we've used and assumed  
22 in the past. The closer effective or actual rate is more  
23 .97.

24 Q. So it's now your testimony that, instead of  
25 \$4.23 per Mcf for KPL, it's supposed to be \$3.28 per Mcf?

*Missouri Public Service Commission*

1           A.     Yes. The \$4.23 is correct for useable  
2 output, and that is on a per MMBtu basis. And I left the  
3 impression that that could be converted over to \$4.23 per  
4 Mcf, and that was where the misstatement was. And so it  
5 should be \$3.28 per Mcf--that's the tariff rate--and \$4.23  
6 per MMBtu as the useable rate, factoring in for the boiler  
7 efficiency and the heat content of natural gas.

8           MR. ENGLISH: Thank you, Mr. Featherstone.

9           EXAMINER HOGERTY: Any questions from the  
10 Bench?

11           COMMISSIONER HENDREN: Yes.

12 QUESTIONS BY COMMISSIONER HENDREN:

13           Q.     Staff's position is that the plant should  
14 stay on line. But, in the alternative, according to your  
15 surrebuttal, you do not propose that any increase be granted  
16 in the rates; is that correct?

17           A.     That's correct.

18           Q.     Staff has stipulated that there is a revenue  
19 deficiency of 3.2 million?

20           A.     For the purposes of a traditional revenue  
21 requirement calculation where you consider all of the  
22 components of rate base, the return component--and the  
23 annualization is that the Staff normally does in determining  
24 the revenue requirement--we've calculated a 3.2 deficiency.  
25 Our recommendation in adjusting rates is zero.

*Missouri Public Service Commission*

1           Q.     If, on traditional rate base regulation,  
2 there is the 3.2 million deficiency and that's not granted  
3 to the company in rates, would that make that portion of the  
4 company fall out from under Statement 71 because they are  
5 not cost based rates?

6           A.     I don't know. The Staff, in looking at the  
7 company's proposal--and we knew that they were proposing up  
8 front a phasein--and also in considering some of the  
9 circumstances surrounding negotiations, if you will, between  
10 the Staff and the company concerning the electric phasein of  
11 Wolf Creek, I think took the--one, it was not our position.  
12 It was not going to be our position, so therefore we did not  
13 have to examine closely the FASB 71 impacts. And, secondly,  
14 I think probably because of materiality more than anything  
15 else, I don't know that FASB 71 would come into play.

16           Q.     Are you familiar with APB Opinion 18, which  
17 is the one that--let me give you some background. The one  
18 that covers the income statement presentation of a  
19 discontinued operation of a segment of a business?

20           A.     I can't say that I am.

21           Q.     Have you discussed with the company what the  
22 reporting would be required if the Commission does grant the  
23 company relief from continuing operations of the steam  
24 portion of their business?

25           A.     I can't think at any time during the audit

*Missouri Public Service Commission*

1 that that came up by the Staff or the company, no.

2 Q. What type of accounting adjustments would  
3 you see if they were granted a phaseout of the steam  
4 operations?

5 A. Such as what was being proposed by  
6 Kansas City Power & Light. I think the income statement  
7 would look largely the way it does now. The company is not  
8 requesting any type of a deferral accounting, as I  
9 understand it.

10 Q. Why would that--I'm sorry. Why would APB 18  
11 not apply to the company?

12 A. I don't know. I'm not familiar with APB--

13 Q. Let's say it would apply. The criteria  
14 there is based upon what's called a measurement date. The  
15 measurement date of a disposal is the date on which the  
16 management having authority to approve an action commits  
17 itself to a formal plan to dispose of a segment of the  
18 business, whether by sale or abandonment. And under that--  
19 that's in APB 18.

20 If 18 would apply and the company's approval  
21 from the Commission is the measurement date, at that point  
22 in time, at the measurement date, a gain or loss would have  
23 to be recognized at the date that the measurement date  
24 occurs, which would be when our Order would be effective, I  
25 assume. Do you know what that loss would be on the books of

*Missouri Public Service Commission*

1 the company?

2 A. No, I do not.

3 Q. If the loss were recognized at that date,  
4 there would be no need for an Accounting Authority Order in  
5 your opinion because everything would be written off as of  
6 that date, if this would apply as I've laid it out?

7 A. I'd have to say I don't know. I'm a little  
8 uncertain as to how much the company would write off under  
9 their plan. As I see their plan, it's intended to--it's to  
10 receive full recovery of the embedded investment of Grand  
11 Avenue and the distribution system. That was their original  
12 filing.

13 Under the 3.2 stipulated number, it would  
14 be--it's not possible for them to recover fully the Grand  
15 Avenue and distribution investment. So, at the end of the  
16 period, there probably will be some write-off. But I don't  
17 know that that calculation or that consideration has been  
18 made by either the Staff or the company.

19 COMMISSIONER HENDREN: Thank you.

20 EXAMINER HOGERTY: Any further questions?

21 REDIRECT EXAMINATION BY MS. YOUNG:

22 Q. Mr. Featherstone, to clarify some of what  
23 you got on cross-examination, were you referring to the  
24 KPL-Gas Service gas tariffs at the time you answered the  
25 questions of Mr. Finnegan about the rates in Kansas City and

*Missouri Public Service Commission*

1 St. Louis?

2 A. No. I was answering--I was attempting to  
3 answer a question, I believe, that he had concerning the  
4 differential between the rates in St. Louis and Kansas City.

5 Q. And you didn't have the tariff in front of  
6 you?

7 A. No, I did not.

8 Q. What document were you utilizing? What was  
9 the--

10 A. It was an analysis that the Staff had  
11 performed. The information--the base data was a tariff  
12 rate. And then we made calculations to take into  
13 consideration the boiler efficiency and the heat content  
14 of natural gas. So the numbers that I was addressing on  
15 Tuesday simply was the--as I said to Mr. English, it was the  
16 useable energy and not the tariff rate.

17 Q. Now, a question from Commissioner Hendren  
18 included a reference to the plant staying on line. Is it  
19 the Staff's recommendation that the steam system be operated  
20 over the long term by KCPL?

21 A. No, it is not. I think the Staff's first  
22 and primary position is that KCPL be required to test the  
23 market to see if there's any interested party. By "interested  
24 party," someone who has the ability and the financing, the  
25 backing, someone who can operate and has some experience in

*Missouri Public Service Commission*

1 operating central district heating systems. And we're not  
2 looking to the long term of Kansas City Power & Light  
3 continuing steam operations. I think the company has  
4 indicated that they want out of the business.

5 Q. And do Staff's recommendations take into  
6 account any business-as-usual scenario for KCPL's steam  
7 operations?

8 A. No, it does not.

9 MS. YOUNG: Thank you. No further  
10 questions.

11 EXAMINER HOGERTY: Any further questions?

12 Mr. English.

13 RECROSS-EXAMINATION BY MR. ENGLISH:

14 Q. On redirect, you mentioned again boiler  
15 efficiency that you needed to consider in comparing  
16 St. Louis and Kansas City rates. St. Louis rates are based  
17 on the concept of a therm, aren't they?

18 A. Yes.

19 Q. That's the energy contained in the gas,  
20 isn't it?

21 A. Yes.

22 Q. And, if we take an Mcf of Kansas City gas  
23 and apply your 970--I think it's Btu's to a cubic foot?

24 A. Yes.

25 Q. We can come out to a comparable level, can't

*Missouri Public Service Commission*

1 we; and we don't have to fool around with boiler  
2 efficiencies either in St. Louis or Kansas City?

3 A. I have both numbers, if you'd like them. As  
4 an example, on a small customer, before you take the boiler  
5 efficiency into account, it would be, in Kansas City, \$3.39;  
6 and, in St. Louis, it's \$3.67 per MMBtu.

7 And, for the medium size customer, in  
8 Kansas City, it's \$3.39 per MMBtu and, in St. Louis, \$3.66  
9 per MMBtu.

10 And, for the large customer, in  
11 Kansas City, \$3.39 per MMBtu; in St. Louis, \$3.66 per MMBtu.  
12 And that was before the boiler efficiency is taken into  
13 consideration.

14 MR. ENGLISH: Thank you, Mr. Featherstone.

15 EXAMINER HOGERTY: Thank you,  
16 Mr. Featherstone.

17 (Witness excused.)  
18

19 MS. YOUNG: At this time, Staff would offer  
20 into evidence Exhibits 17, 18, and 19.

21 MR. ENGLISH: No objection.

22 MS. YOUNG: Also, Exhibits 26 and 27, which  
23 I utilized in Mr. Featherstone's appearance earlier in the  
24 week.

25 MR. ENGLISH: No objection.



*Missouri Public Service Commission*

1 MS. YOUNG: And Exhibit 53,  
2 Mr. Featherstone's surrebuttal for today's purposes.

3 MR. ENGLISH: Again, no objection.

4 EXAMINER HOGERTY: Exhibits 17, 18, 19, 26,  
5 27, and 53 are received.

6 (EXHIBIT NOS. 17, 18, 19, 26, 27, AND 53  
7 WERE RECEIVED IN EVIDENCE AND MADE A PART OF THIS RECORD.)

8 EXAMINER HOGERTY: Staff may call its next  
9 witness.

10 MR. WALTHER: The Staff recalls Keith  
11 Haskamp to the stand.

12 EXAMINER HOGERTY: You're still under oath.

13 THE WITNESS: Yes.

14 COMPENSATION ISSUES:

15 KEITH A. HASKAMP testified as follows:

16 DIRECT EXAMINATION BY MR. WALTHER:

17 Q. Mr. Haskamp, did you cause to be filed in  
18 this case rebuttal testimony, which has been marked as  
19 Exhibit 51?

20 A. Yes, I did.

21 Q. And do you have any changes to make to that  
22 testimony at this time?

23 A. Yes. I have one change. It's on the front  
24 cover sheet. Where it says "Issues," the issue listed is  
25 "Termination Issues." It should be "Compensation Issues."

*Missouri Public Service Commission*

1 Q. If I asked you--

2 EXAMINER HOGERTY: Mr. Walther, I believe  
3 it's 54.

4 MR. WALTHER: Sorry. Yes, it is 54. I  
5 apologize.

6 BY MR. WALTHER:

7 Q. If I asked you the same questions today,  
8 would your answers be the same?

9 A. Yes, they would.

10 Q. And are the answers contained true and  
11 correct, to the best of your knowledge and belief?

12 A. Yes, they are.

13 MR. WALTHER: I have no further questions,  
14 and I tender the witness for cross-examination.

15 EXAMINER HOGERTY: Ms. Bjelland.

16 MS. BJELLAND: No questions.

17 EXAMINER HOGERTY: Mr. Bregman.

18 MR. BREGMAN: No questions.

19 EXAMINER HOGERTY: Mr. Kennett.

20 MR. KENNETT: No questions.

21 EXAMINER HOGERTY: Mr. English.

22 MR. ENGLISH: I have some, your Honor.

23 CROSS-EXAMINATION BY MR. ENGLISH:

24 Q. Mr. Haskamp, it appears that your rebuttal  
25 testimony attempts to make two points. One is that KCPL

*Missouri Public Service Commission*

1 wants to retain the steam customers as electric customers  
2 and, two, this conversion, if you will, of steam customers  
3 to electric customers will enhance or increase KCPL's  
4 electric revenues. Did I summarize your rebuttal testimony  
5 correctly?

6 A. That's correct, yes.

7 Q. Now, doesn't Mr. Beaudoin, both in his  
8 prefiled testimony and his testimony on the stand, make the  
9 point that KCPL wants to retain steam customers as electric  
10 customers?

11 A. Yes, I believe that's true.

12 Q. And didn't Mr. Graham, if you recall,  
13 yesterday also state that KCPL desires to convert steam to  
14 electric customers?

15 A. Yes, he did.

16 Q. Didn't Mr. Beaudoin also make the point that  
17 this conversion would also have the effect of increasing  
18 KCPL's electric revenues?

19 A. I don't recall that, but--

20 Q. Well, doesn't Mr. Beaudoin, if you know, on  
21 Page 5, Lines 12 through 14, of his rebuttal testimony,  
22 state to the effect that KCPL can recover, in part, its  
23 boiler investment through the increased electric revenues  
24 that it's going to get from these steam customers?

25 A. I don't have that before me. If I could ask

*Missouri Public Service Commission*

1 counsel--I have his direct testimony.

2 Q. What I'm referring to, Mr. Haskamp, is on  
3 Page 5, starting on Line 12, of Mr. Beaudoin's rebuttal  
4 testimony.

5 A. Yes. He states as much.

6 Q. Well, since KCPL witnesses have already made  
7 the statements and assertions that you have in your rebuttal  
8 testimony, what's the purpose of your rebuttal testimony?

9 A. I believe the purpose of my rebuttal  
10 testimony was not only to further inform the Commission of  
11 KCPL's intent in their conversion plan, but to further  
12 provide some type of quantification as to how much the  
13 company was looking at in terms of collecting electric  
14 revenues. And Mr. Tooley's does that to some extent as well.

15 Q. Well, then don't you agree that the existing  
16 steam customer base has a value to KCPL to the extent that  
17 they convert the steam customers to electric customers?

18 A. Very definitely, yes.

19 MR. ENGLISH: Thank you, Mr. Haskamp.

20 THE WITNESS: Thank you.

21 EXAMINER HOGERTY: Questions from the Bench?  
22 Commissioner Hendren.

23 COMMISSIONER HENDREN: Not unless he has the  
24 answers to any of the questions I asked Mr. Featherstone.

25 THE WITNESS: I don't believe so, no.

*Missouri Public Service Commission*

1 EXAMINER HOGERTY: Commissioner Musgrave.

2 Chairman Steinmeier.

3 CHAIRMAN STEINMEIER: No questions.

4 EXAMINER HOGERTY: Redirect.

5 REDIRECT EXAMINATION BY MR. WALTHER:

6 Q. Mr. Haskamp, do you consider KCPL's proposed  
7 conversion plan a transitional cost that must be incurred to  
8 phase out steam?

9 A. It's transitional, as well as being  
10 promotional, yes.

11 Q. So it's your testimony that it's promotional?

12 A. Yes.

13 MR. WALTHER: No further questions.

14 EXAMINER HOGERTY: Ms. Bjelland.

15 MS. BJELLAND: No questions.

16 EXAMINER HOGERTY: Mr. Bregman.

17 MR. BREGMAN: Nothing.

18 EXAMINER HOGERTY: Thank you, Mr. Haskamp.

19 (Witness excused.)

20  
21 MR. WALTHER: At this time, Staff would  
22 offer Exhibit 52 and Exhibit 54 into evidence. I'm sorry.  
23 42.

24 MR. ENGLISH: No objection.

25 EXAMINER HOGERTY: Exhibit 42 and

*Missouri Public Service Commission*

1 Exhibit 54 are received.

2 (EXHIBIT NOS. 42 AND 54 WERE RECEIVED IN  
3 EVIDENCE AND MADE A PART OF THIS RECORD.)

4 EXAMINER HOGERTY: Call your next witness.

5 MR. WALTHER: Staff recalls Ed Tooey to the  
6 stand.

7 EXAMINER HOGERTY: You're still under oath,  
8 Mr. Tooey.

9 EDWARD A. TOOHEY testified as follows:

10 DIRECT EXAMINATION BY MR. WALTHER:

11 Q. Mr. Tooey, did you cause to be filed in this  
12 case rebuttal testimony, which has been marked as  
13 Exhibit 55?

14 A. Yes, I did.

15 Q. And do you have any changes to your rebuttal  
16 testimony at this time?

17 A. Yes, I do. On the cover sheet, in the upper  
18 right-hand corner, under "Issues," "Termination Issues"  
19 should read "Compensation."

20 Q. Is that all your changes to your testimony?

21 A. Yes, it is.

22 Q. If I asked you the same questions today,  
23 would your answers be the same?

24 A. Yes, they would.

25 Q. And are the answers true and correct, to the

*Missouri Public Service Commission*

1 best of your knowledge?

2 A. Yes, they are.

3 MR. WALTHER: At this time, I'll tender the  
4 witness for cross-examination.

5 EXAMINER HOGERTY: Ms. Bjelland.

6 MS. BJELLAND: No questions.

7 EXAMINER HOGERTY: Mr. Bregman.

8 MR. BREGMAN: No questions.

9 EXAMINER HOGERTY: Mr. Kennett.

10 MR. KENNETT: No questions.

11 EXAMINER HOGERTY: Mr. English.

12 MR. ENGLISH: Nothing, your Honor.

13 EXAMINER HOGERTY: Any questions from the  
14 Bench?

15 (No response.)

16 EXAMINER HOGERTY: Thank you, Mr. Tooley.

17 (Witness excused.)

18  
19 MR. WALTHER: At this time, I'd like to move  
20 that Exhibits 41 and 55 be received into evidence.

21 MR. ENGLISH: No objection.

22 EXAMINER HOGERTY: 41 has already been  
23 received. 55 is received.

24 (EXHIBIT NO. 55 WAS RECEIVED IN EVIDENCE AND  
25 MADE A PART OF THIS RECORD.)

*Missouri Public Service Commission*

1 EXAMINER HOGERTY: Call your next witness.

2 MS. YOUNG: Staff would call, as its final  
3 witness in this proceeding, Curt Huttzell.

4 (Witness sworn.)

5  
6 RATE ISSUES:

7 CURT HUTTSELL testified as follows:

8 DIRECT EXAMINATION BY MS. YOUNG:

9 Q. Would you please state your name for the  
10 record.

11 A. Curt Huttzell.

12 Q. And by whom are you employed, Mr. Huttzell?

13 A. I'm on the Staff of the Missouri Public  
14 Service Commission.

15 Q. And are you the same Curt Huttzell who has  
16 caused to be filed in this docket surrebuttal testimony on  
17 the issue of rates, which has now been marked as Exhibit 56?

18 A. Yes.

19 Q. Do you have any corrections to make to the  
20 testimony at this time?

21 A. No. None.

22 Q. If I were to ask you the questions that  
23 appear in Exhibit 56 today, would your answers be the same  
24 as they appear therein?

25 A. Yes.



*Missouri Public Service Commission*

1 Q. And is the information contained therein  
2 true and correct, to the best of your knowledge and belief?

3 A. Yes.

4 Q. Do you wish to adopt that as your  
5 surrebuttal testimony in this case?

6 A. Yes.

7 MS. YOUNG: No further questions. I tender  
8 the witness for cross-examination.

9 EXAMINER HOGERTY: Ms. Bjelland.

10 MS. BJELLAND: No questions.

11 EXAMINER HOGERTY: Mr. Bregman.

12 MR. BREGMAN: No questions.

13 EXAMINER HOGERTY: Mr. Kennett.

14 MR. KENNETT: No questions.

15 EXAMINER HOGERTY: Mr. English.

16 MR. ENGLISH: Nothing, your Honor.

17 EXAMINER HOGERTY: Any questions from the  
18 Bench?

19 CHAIRMAN STEINMEIER: Are you sure you're  
20 the same Curt Huttzell that filed this testimony?

21 THE WITNESS: I was until a moment ago.

22 EXAMINER HOGERTY: Thank you, Mr. Huttzell.

23 (Witness excused.)

24 \_\_\_\_\_  
25 MS. YOUNG: Staff would move the admission

*Missouri Public Service Commission*

1 of Exhibit 56 into the record.

2 EXAMINER HOGERTY: Exhibit 56 is received.

3 (EXHIBIT NO. 56 WAS RECEIVED IN EVIDENCE AND  
4 MADE A PART OF THIS RECORD.)

5 EXAMINER HOGERTY: Mr. Bregman.

6 MR. BREGMAN: Thank you. KPL would call  
7 Randy J. Lennan to the stand.

8 (Witness sworn.)

9  
10 COMPENSATION ISSUES:

11 RANDY J. LENNAN testified as follows:

12 DIRECT EXAMINATION BY MR. BREGMAN:

13 Q. Would you state your name for the record,  
14 please.

15 A. My name is Randy Lennan.

16 Q. By whom are you employed and in what  
17 capacity?

18 A. I'm employed by The Kansas Power and Light  
19 Company; and I'm marketing supervisor of the Kansas City,  
20 Missouri, and Kansas City North districts of the company.

21 Q. Are you the same Randy Lennan who caused to  
22 be filed in this proceeding testimony marked as Exhibit 57,  
23 consisting of three pages?

24 A. Yes, I am.

25 Q. If I were to ask you the questions contained

*Missouri Public Service Commission*

1 in those three pages, would your answers be the same?

2 A. Yes, they would.

3 Q. Are the answers true and correct, to the  
4 best of your knowledge and belief?

5 A. Yes.

6 MR. BREGMAN: Madam Examiner, I have a few  
7 questions of this witness based on responses by Mr. Ketter,  
8 I believe, to questions from Commissioner Mueller during his  
9 stay on the stand; so it would be rebuttal to that  
10 testimony.

11 EXAMINER HOGERTY: You may proceed.

12 BY MR. BREGMAN:

13 Q. Mr. Lennan, were you present in the room  
14 during the testimony of Mr. Ketter?

15 A. Yes, I was.

16 Q. And did you hear his--the questions put to  
17 him by Commissioner Mueller and his answers to those  
18 questions?

19 A. Yes, I did.

20 Q. In particular, Commissioner Mueller asked  
21 some questions about the possibility of installing a boiler  
22 on the roof of a building. Do you recall those questions  
23 and answers?

24 A. Yes, I do.

25 Q. And, as I recall, Mr. Ketter indicated that

*Missouri Public Service Commission*

1 there would be some inefficiencies inherent in installing a  
2 gas boiler on the roof of a building. Do you recall that?

3 A. Yes, I remember.

4 Q. Do you agree with his testimony that there  
5 would be inefficiencies?

6 A. I would disagree with the statement. It's a  
7 very common engineering practice. In fact, I would say the  
8 majority of the buildings, especially the newer buildings  
9 built downtown, it is very common to have a roof-mounted  
10 heating and cooling plant with air handlers up there. Since  
11 it's a closed-loop system, water has to be circulated  
12 anyway. I don't understand why there would be an  
13 inefficiency in that.

14 Q. Could you explain what you mean by  
15 "a closed-loop system"?

16 A. Steam is brought into the building; and it  
17 is generally taken, depending on how old a building it is--  
18 if it's a newer building, there will be an air handling  
19 system with condensing coils. Once the steam condenses and  
20 gives up its latent heat of vaporization, you've got  
21 condensed water, which needs to be returned to the source,  
22 which would be the boiler, where heat is applied again and  
23 steam is produced again.

24 Q. When you're saying it would be a closed-loop  
25 system, you're referring to an installation where there's a

*Missouri Public Service Commission*

1 boiler on site; isn't that correct?

2 A. Exactly.

3 Q. And, in such an installation, whether the  
4 boiler is on the roof or in the basement, there's going to  
5 have to be some pumping done to get the steam up or the  
6 water down, in any event; isn't that right?

7 A. That's true.

8 Q. The only thing that's going to differ  
9 between a roof installation and a basement installation is  
10 what you're pumping?

11 A. Exactly.

12 MR. BREGMAN: I have no further questions.  
13 I would tender the witness for cross-examination at this  
14 time.

15 EXAMINER HOGERTY: Mr. English.

16 MR. ENGLISH: Thank you, your Honor.

17 CROSS-EXAMINATION BY MR. ENGLISH:

18 Q. Mr. Lennan, your prefiled direct testimony  
19 doesn't say; but perchance are you an engineer?

20 A. No, I'm not.

21 MR. ENGLISH: Thank you. No further  
22 questions.

23 EXAMINER HOGERTY: Ms. Young.

24 MR. WALTHER: I will be the--

25 EXAMINER HOGERTY: Mr. Walther.

*Missouri Public Service Commission*

1 MR. WALTHER: I have just a couple of  
2 questions.

3 CROSS-EXAMINATION BY MR. WALTHER:

4 Q. Is it your testimony that, if Kansas City  
5 Power & Light Company is allowed to implement its proposed  
6 conversion plan, that KPL-Gas Service should be authorized  
7 to provide a similar plan?

8 A. Yes, it is.

9 Q. And has your position on this changed in any  
10 way since you filed your direct testimony on February 23rd?

11 A. No, it has not. We stand by it.

12 MR. WALTHER: I have no further questions.

13 EXAMINER HOGERTY: Ms. Bjelland.

14 MS. BJELLAND: No questions.

15 EXAMINER HOGERTY: Mr. Kennett.

16 MR. KENNETT: No questions.

17 EXAMINER HOGERTY: Questions from the Bench?  
18 Commissioner Hendren.

19 QUESTIONS BY COMMISSIONER HENDREN:

20 Q. Mr. Lennan, when were you first aware of the  
21 plan of installing the electric boilers by Kansas City  
22 Power & Light?

23 A. We first became aware of it when the  
24 managers of the Home Savings Building, who we had been in  
25 contact with about the possibility of putting gas boilers

*Missouri Public Service Commission*

1 in, told us that they had decided instead to put in electric  
2 boilers, which they were taking at no charge from KCP&L.

3 Q. Did they tell you that was the reason they  
4 decided on taking electric?

5 A. Yes, they did. They could not afford the  
6 \$170,000 for the gas boiler.

7 Q. And have you contacted any of the other  
8 customers who are in the test program currently and already  
9 have the electric boilers on site?

10 A. Yes, we have.

11 Q. Have you contacted the people who are on the  
12 proposed list to continue placing these if they get approval  
13 by the Commission?

14 A. Yes, we have.

15 Q. And do you have any indication from any of  
16 those as to which type of service they would choose, the gas  
17 or electric boilers, if both were given free?

18 A. Of the ones that we've contacted, I would  
19 say the majority stated that they would take the gas option  
20 if we were on an equal basis.

21 Q. Are you giving them an analysis--is your  
22 company giving them an analysis of what you expect over the  
23 next five years for gas prices from your company?

24 A. We can give an estimate of what we think gas  
25 prices may do.

*Missouri Public Service Commission*

1 Q. Do you give that?

2 A. Yes, we do.

3 COMMISSIONER HENDREN: Thank you.

4 EXAMINER HOGERTY: Commissioner Musgrave.

5 QUESTIONS BY COMMISSIONER MUSGRAVE:

6 Q. Mr. Lennan, how long have you been with  
7 KPL-Gas Service Company?

8 A. I've been with them for seven years.

9 Q. Have you always been based in Kansas City?

10 A. Yes, I have.

11 COMMISSIONER MUSGRAVE: Thank you. That's  
12 all I have.

13 EXAMINER HOGERTY: Commissioner Steinmeier.

14 QUESTIONS BY CHAIRMAN STEINMEIER:

15 Q. What does your forecast show gas prices  
16 doing in the next five years? What information along those  
17 lines are you giving prospective customers?

18 A. We don't have an internal forecast that I'm  
19 aware of. But the information I have would be from the AGA;  
20 and they're forecasting a net 2 percent negative growth in  
21 the pricing on natural gas through the 1990s, which means  
22 that it would be below the inflationary rate at current  
23 inflation rates.

24 Q. 2 percent below inflation over five years?

25 A. Accounting for inflation, it would be



1 2 percent below current 1986 dollars.

2 CHAIRMAN STEINMEIER: Thank you.

3 QUESTIONS BY EXAMINER HOGERTY:

4 Q. Mr. Lennan, if your company were allowed to  
5 provide these boilers, would you want to--are you requesting  
6 that they be included in the cost of service; or are you  
7 willing to provide these at no cost?

8 A. I'm not aware--I have not set that policy.  
9 I am aware that we wish to pursue a similar plan, but we  
10 have no plan as of yet.

11 Q. So your company has taken no position on  
12 that point?

13 A. Yes.

14 EXAMINER HOGERTY: Thank you.

15 Redirect.

16 REDIRECT EXAMINATION BY MR. BREGMAN:

17 Q. Mr. Lennan, the testimony indicates the  
18 company's proposal would be to offer--if KCP&L is allowed to  
19 offer free electric boilers, KPL would want to offer free  
20 gas boilers and chillers and charge a rate equivalent to the  
21 steam rate; is that correct?

22 A. Yes.

23 Q. So it would be equivalent, on a Btu basis,  
24 to the steam we charge?

25 A. Exactly.

*Missouri Public Service Commission*

1 Q. And there is no alternative position--the  
2 company has no alternative position under which it would be  
3 willing to offer free installations; isn't that correct?

4 A. Not at this time, no.

5 MR. BREGMAN: Thank you. I have nothing  
6 further.

7 EXAMINER HOGERTY: Mr. English.

8 RECROSS-EXAMINATION BY MR. ENGLISH:

9 Q. Does KCPL have a steam rate for chillers?

10 A. Not that I'm aware of.

11 MR. ENGLISH: Thank you.

12 EXAMINER HOGERTY: Mr. Walther.

13 MR. WALTHER: Nothing.

14 EXAMINER HOGERTY: Ms. Bjelland.

15 MS. BJELLAND: Nothing.

16 EXAMINER HOGERTY: Mr. Kennett.

17 MR. KENNETT: No questions.

18 EXAMINER HOGERTY: Thank you, Mr. Lennan.

19 (Witness excused.)

20  
21 EXAMINER HOGERTY: Do you wish to offer your  
22 exhibits?

23 MR. BREGMAN: Yes. At this time, I would  
24 offer--whatever it is--Exhibit 57.

25 EXAMINER HOGERTY: Exhibit 57 is received.

*Missouri Public Service Commission*

1 (EXHIBIT NO. 57 WAS RECEIVED IN EVIDENCE AND  
2 MADE A PART OF THIS RECORD.)

3 EXAMINER HOGERTY: Is there anything  
4 further?

5 MR. ENGLISH: Your Honor, does the  
6 Commission wish to set a briefing schedule at this time?

7 EXAMINER HOGERTY: The schedule will be  
8 established when the transcript is filed, which should be in  
9 about two weeks.

10 Is there a waiver of the requirement of  
11 Chapter 536 for the Commission to read the entire record of  
12 this proceeding?

13 MR. ENGLISH: No, your Honor.

14 EXAMINER HOGERTY: This hearing is  
15 concluded.

16 WHEREUPON, the hearing of this case was  
17 concluded.

*Missouri Public Service Commission*

I N D E X

Page

COMPENSATION ISSUE:

CUSTOMER INTERVENORS' EVIDENCE:

**ALBERT P. MAURO**

Direct Examination by Mr. Sands	414
Cross-Examination by Mr. English	420
Cross-Examination by Mr. Walther	421
Cross-Examination by Ms. Bjelland	423
Cross-Examination by Mr. Bregman	424
Cross-Examination by Mr. Finnegan	425
Cross-Examination by Mr. Kennett	430
Questions by Commissioner Musgrave	432
Questions by Commissioner Fischer	437
Questions by Chairman Steinmeier	443
Questions by Commissioner Mueller	445
Redirect Examination by Mr. Sands	447
Recross-Examination by Mr. Walther	447
Recross-Examination by Mr. Finnegan	451

COMPENSATION AND RATE ISSUES:

KANSAS CITY POWER & LIGHT COMPANY'S EVIDENCE:

**BERNARD J. BEAUDOIN**

Cross-Examination by Ms. Young	455
Cross-Examination by Mr. Finnegan	459
Cross-Examination by Mr. Bregman	462
Cross-Examination by Mr. Sands	471
Questions by Commissioner Hendren	472
Questions by Commissioner Fischer	477
Redirect Examination by Mr. English	478
Recross-Examination by Ms. Young	478

COMPENSATION, TEST BOILERS, AND RATE ISSUES:

STAFF'S EVIDENCE:

**JAMES L. KETTER**

Direct Examination by Mr. Walther	480
Cross-Examination by Mr. Bregman	482
Cross-Examination by Mr. English	484
Questions by Commissioner Musgrave	495
Questions by Commissioner Mueller	496
Redirect Examination by Mr. Walther	497

*Missouri Public Service Commission*

I N D E X

Page

COMPENSATION ISSUES:

STAFF'S EVIDENCE:

DERICK O. DAHLEN  
(No questions) 503

COMPENSATION AND RATE ISSUES:

STAFF'S EVIDENCE:

CARY G. FEATHERSTONE  
Direct Examination by Ms. Young 504  
Cross-Examination by Mr. English 508  
Questions by Commissioner Hendren 510  
Redirect Examination by Ms. Young 513  
Recross-Examination by Mr. English 515

COMPENSATION ISSUES:

STAFF'S EVIDENCE:

KEITH A. HASKAMP  
Direct Examination by Mr. Walther 517  
Cross-Examination by Mr. English 518  
Redirect Examination by Mr. Walther 521

EDWARD A. TOOHEY  
Direct Examination by Mr. Walther 522

RATE ISSUES:

STAFF'S EVIDENCE:

CURT HUTTSELL  
Direct Examination by Ms. Young 524

*Missouri Public Service Commission*

I N D E X

Page

COMPENSATION ISSUES:

KPL-GAS SERVICE COMPANY'S EVIDENCE:

RANDY J. LENNAN

Direct Examination by Mr. Bregman	526
Cross-Examination by Mr. English	529
Cross-Examination by Mr. Walther	530
Questions by Commissioner Hendren	530
Questions by Commissioner Musgrave	532
Questions by Chairman Steinmeier	532
Questions by Examiner Hogerty	533
Redirect Examination by Mr. Bregman	533
Recross-Examination by Mr. English	534

*Missouri Public Service Commission*

	<u>EXHIBITS</u>	<u>Marked</u>	<u>Rec'd</u>
1			
2			
3	EXHIBIT NO. 12		479
4	EXHIBIT NO. 13		479
5	EXHIBIT NO. 17		517
6	EXHIBIT NO. 18		517
7	EXHIBIT NO. 19		517
8	EXHIBIT NO. 26		517
9	EXHIBIT NO. 27		517
10	EXHIBIT NO. 28		504
11	EXHIBIT NO. 29		504
12	EXHIBIT NO. 30		504
13	EXHIBIT NO. 42		522
14	EXHIBIT NO. 47		
15	Letter to KCPL from DST Realty, Inc., Dated April 9, 1987	414	454
16	EXHIBIT NO. 48		
17	Direct Testimony of Albert P. Mauro	414	454
18	EXHIBIT NO. 49		
19	Direct Testimony and Schedules of James L. Ketter	414	501
20	EXHIBIT NO. 50		
21	Rebuttal Testimony of James L. Ketter	414	501
22	EXHIBIT NO. 51		
23	Surrebuttal Testimony and Schedule of James L. Ketter	414	501
24	EXHIBIT NO. 52		
25	Direct Testimony, Schedule 5 (Revised) of James L. Ketter	414	501

*Missouri Public Service Commission*

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EXHIBITS

Marked

Rec'd

EXHIBIT NO. 53

Surrebuttal Testimony of Cary G.  
Featherstone

414

517

EXHIBIT NO. 54

Rebuttal Testimony and Schedules  
of Keith A. Haskamp

414

522

EXHIBIT NO. 55

Rebuttal Testimony and Schedules  
of Edward A. Tooey

414

523

EXHIBIT NO. 56

Surrebuttal Testimony of Dr. Curt  
Huttsell

414

526

EXHIBIT NO. 57

Direct Testimony of Randy J. Lennan

414

535

EXHIBIT NO. 58

\*461

\* Late-Filed Exhibit