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2 PUBLIC SERVICE COMMISSION
3 TRANSCRIPT OF PROCEEDINGS
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7 In-Camera Proceedings
8 April 28, 2008
9 Jefferson City, Missouri
Volume 18
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12 In the Matter of the Joint)
Application of Great Plains Energy)
13 Incorporated, Kansas City Power &)
Light Company, and Aquila, Inc.,) Case No. EM-2007-0374
14 for Approval of the Merger of)
Aquila, Inc., with a Subsidiary of)
15 Great Plains Energy Incorporated)
And for Other Related Relief)
16

17
18 HAROLD STEARLEY, Presiding,
REGULATORY LAW JUDGE

19 CONNIE MURRAY,
20 TERRY JARRETT,
COMMISSIONERS.

21

22 REPORTED BY:

23 KELLENE K. FEDDERSEN, CSR, RPR, CCR
24 MIDWEST LITIGATION SERVICES
25

1 I N - C A M E R A P R O C E E D I N G S

2 JUDGE STEARLEY: We are in-camera and once
3 again, I'll leave it to the attorneys to police our
4 gallery for anyone who would need to leave for this
5 session.

6 TERRY BASSHAM testified as follows:

7 CROSS-EXAMINATION BY MR. DOTTHEIM:

8 THE WITNESS: Which one was No. 125 now?

9 BY MR. DOTTHEIM:

10 Q. No. 125 was the Standard & Poor's
11 January 7, 2008 letter to Mr. Cline.

12 A. Yes. It was 125?

13 Q. Yes.

14 A. Yes, sir, I have that.

15 Q. GPE requested Standard & Poor's Rating
16 Evaluation Service to provide feedback on the ratings
17 effect that potential changes in the regulatory conditions
18 attached to the acquisition of Aquila and the sale of
19 Strategic Energy on the ratings of GPE and Aquila, did it
20 not?

21 A. Yes, sir.

22 Q. And in response to that request, GPE
23 received Exhibit 125, the January 7, 2008 letter addressed
24 to Mr. Michael Cline, did it not?

25 A. Yes, sir.

1 Q. Is this the latest information that
2 GPE/KCPL have from Standard & Poor's indicating the
3 creditworthiness of GPE, KCPL and Aquila after the
4 proposed GPE acquisition of Aquila?

5 A. I believe this is the last information we
6 have back from Standard & Poor's, yes, sir. Is that your
7 question?

8 Q. Yes.

9 A. Yes.

10 Q. I'd like to direct you to page 4, the
11 bottom paragraph, which is in italics, the fourth sentence
12 which states, does it not, subject information or changes
13 to the information previously provided could result in
14 final conclusions that differ from the preliminary
15 proposed conclusions? Did I read that accurately?

16 A. You did.

17 Q. Are the conclusions in this letter based on
18 assumptions provided by you, Mr. Cline and Mr. Todd
19 Kobayashi?

20 A. This is information provided by the company
21 in total. We were the three representatives working with
22 S&P and Moody's, yes, sir.

23 Q. You are Mr. Cline's and Mr. Kobayashi's
24 superior, are you not?

25 A. I am Mr. Cline's. I used to be

1 Mr. Kobayashi's.

2 Q. Mr. Kobayashi is still with Kansas City
3 Power & Light/GPE?

4 A. Yes, sir. He used to be VP of strategy and
5 investor relations, and now he's VP of energy resource
6 management. He's on the generation side now.

7 Q. I'd also like to direct you back again to
8 the paragraph at the bottom of page 4. It's the sentence
9 in about the middle of that paragraph. To the extent that
10 these assumptions change, the rating implications could
11 also change. Did I read that accurately?

12 A. You did.

13 Q. I'd like to direct you to page 2 of the
14 letter, the box on the page, section which has a heading
15 Ratings Conclusion.

16 A. Yes, sir.

17 Q. That box shows ratings for GPE, KCPL and
18 Aquila after GPE's proposed acquisition of Aquila, does it
19 not?

20 A. It does.

21 Q. And I'd like to refer you to the bottom of
22 the page. There's a footnote, and the footnote states,
23 all debt ratings are shown based on current notching
24 assumptions and are subject to further notching analysis
25 after the merger is completed. Did I read that

1 accurately?

2 A. You did.

3 Q. Could you provide an explanation of that
4 sentence?

5 A. Well, I think it says what we've talked
6 about before, and that is they -- they can only operate
7 off what we are able to provide them. Obviously they're
8 not -- they don't know our company independently. And to
9 the extent that ultimately things change, which obviously
10 they do on an ongoing basis, the results could change.

11 And so ultimately this is a service which
12 provides you with an idea based upon assumption you give
13 them what would happen, but once it actually happens,
14 their job as S&P or Moody's would be to make an
15 independent evaluation, and this says that that could
16 change at the time they actually do that.

17 Q. Do you recall from previously that when
18 KCPL/GPE announced the proposed acquisition of Aquila,
19 there was a change in the debt rating of KCPL's commercial
20 paper?

21 A. Yes.

22 [REDACTED]
23 [REDACTED]
24 [REDACTED]
25 [REDACTED]

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9 Q. And Kansas City Power & Light entered into
10 a financing after GPE announcing its proposed acquisition
11 of Aquila, did it not?

12 A. I'm sorry. Say that again.

13 Q. Okay. Did GPE/KCPL engage in a financing
14 after GPE announced its proposed acquisition of Aquila?

15 A. Have we done a debt financing since January
16 of '07?

17 Q. Yes.

18 A. Yes.

19 Q. And that financing was -- occurred after
20 the downgrading, did it not?

21 A. Yes.

22 Q. Do you know what the difference in cost was
23 as a result of that downgrading from an A-2 to an A-3 on
24 that financing?

25 A. What would be the cost of additional CP

1 financing --

2 Q. Yes.

3 A. -- based upon the change in the credit
4 rating? I don't sitting here. It's -- you can calculate
5 it, but I don't have that sitting here.

6 Q. Such a financing did occur, did it not?

7 A. You say such a financing. We issue
8 financial paper on a fairly regular basis. We also did a
9 larger financing that was not CP related, but yes, we
10 do -- we did issue commercial paper after the down rating.

11 Q. In future rate cases, will Kansas City
12 Power & Light seek recovery or recognition of those costs?

13 A. We haven't talked about it, but I would
14 suggest it's effectively a transition cost. It's
15 something that happened not because of anything we did
16 other than enter into the merger, but we haven't talked
17 about that. That will be something we -- decision we make
18 before filing the rate case.

19 Q. I'd like to refer you back, then, to
20 page 1.

21 A. Yes, sir.

22 Q. And I'd like to refer you to the paragraph
23 that has as its heading General Assumptions.

24 A. Yes, sir.

25 Q. And if you'd just take a look at that

1 paragraph.

2 A. Yes, sir.

3 Q. Okay. There's been no change in the
4 matters that are set out in that paragraph, have there?

5 A. No, sir.

6 Q. I'd like --

7 A. Well, I'm sorry.

8 Q. All right.

9 A. The last sentence says that the two
10 transactions still require approvals.

11 Q. Okay.

12 [REDACTED]
13 [REDACTED]
14 [REDACTED]
15 [REDACTED]

16 transactions have been approved in Colorado and Kansas?

17 A. That's my understanding.

18 Q. Okay. But it still, of course, has to be
19 approved in Missouri?

20 A. Oh, I think that's why we're here. Yes,
21 sir.

22 Q. Of course. Okay. And I'd like to direct
23 you next to the -- to the paragraph below it that has as
24 its heading scenario specific assumptions, and if you take
25 a look at that section.

1 A. Yes, sir.

2 Q. The first two bullet items, those two
3 assumptions are not correct, are they?

4 A. No. They both say that the transaction
5 will be completed the end of first quarter 2008.
6 Obviously we're still working through the regulatory
7 process here to do that.

8 Q. Is the -- is the third bullet item, the
9 sale of GXP's Strategic Energy for at least \$250 million,
10 as more fully described in that bullet point, is that
11 accurate? Is that still valid?

12 A. Well, the sale has -- a contract for the
13 sale has been entered into. The amount is wrong. We've
14 entered into an agreement with Direct Energy for the sale
15 at the level of 300 million.

16 Q. And GXP is interchangeable for GPE, is it
17 not?

18 A. GXP's our stock ticker. So you'll see GXP
19 instead of GPE indicated, that's correct.

20 Q. Yeah. And ILA is --

21 A. Is Aquila, yes, sir.

22 Q. And the fourth bullet point is still valid,
23 is it not?

24 A. Consistent with our request, yes, sir.

25 Q. What about the fifth bullet point?

1 A. Still consistent with our request.

2 Q. The sixth bullet point is not valid; is
3 that correct?

4 A. It's valid as we just discussed. The
5 numbers have changed slightly. So our request here is --
6 has been reduced. We recover -- effectively the way the
7 Kansas settlement would work, we would recover the half
8 related to Kansas, but the half here, we changed our
9 request, so that has been reduced somewhat.

10 Q. Are you recovering transaction costs in
11 Kansas?

12 A. No. The way it works there instead is
13 we're not including the effect of the merger in the first
14 rate case. So we keep 100 percent of the synergies for an
15 extra year and a half, to the fall of 2010. So the
16 dollars attached -- Standard & Poor's doesn't care what
17 they're called. They care how much cash comes in. And so
18 we would receive effectively the same amount of cash as
19 transaction costs, but it's called something different.

20 Q. For bullet point 6, the total of the
21 transaction and transition costs is \$127 million, is it
22 not?

23 A. Yes.

24 Q. What would that figure be now?

25 A. Well, the transition cost is essentially

1 the same. Our agreement in Kansas would have allowed us
2 to recover as transition costs their share, and then we
3 again asked for recovery of transition costs in the normal
4 ratemaking process here. So I would say the dollars --
5 the numbers are effectively the same.

6 We did, as you recall, request a move of
7 \$9.9 million of Missouri transaction, we had originally
8 called to transition, and so that would be added to the
9 transition number, if you will. And then the transaction
10 cost we've reduced by \$12.2 million Missouri for the
11 severance and change of control for Aquila executives.

12 Now, the other day when I testified,
13 Commissioner Clayton wanted me to use Missouri numbers, so
14 that's why I gave Missouri numbers. These, though, are
15 total company numbers, yes. I hope I didn't confuse
16 things too badly.

17 Q. So total company, what would these numbers
18 be?

19 A. Give me one minute?

20 Q. Certainly.

21 A. I think, if I've done this right, on a
22 total company basis, again, we would move -- on a total
23 company basis, we would move 13.6 million in severance
24 over to transition. So that would effectively be 41 plus
25 the 13.6. Be 54.6. And then you would reduce the 85 --

1 or 86, I'm sorry, by that 13.6 and the 16.7, which is the
2 total company number for executive severance, which totals
3 30.30. So we reduce 86 by 30.30, and you would get 55.7,
4 so the total was originally 127. Now it's 110.3.

5 Q. So the total number for the sixth bullet
6 point has changed?

7 A. To the extent I just described it, yes,
8 sir.

9 Q. The seventh bullet point.

10 A. Yes, sir.

11 [REDACTED]
12 [REDACTED]
13 [REDACTED]
14 [REDACTED]
15 [REDACTED]
16 [REDACTED]
17 [REDACTED]
18 [REDACTED]
19 [REDACTED]
20 [REDACTED]

21 Q. Let's go to the next page, page 2, the
22 first bullet point at the top of the page. There's an
23 assumption -- is there any assumption regarding those
24 filed rate cases in 2008, 2009 and 2010 regarding adding
25 major assets into rate base?

1 A. Are there any assumptions in that regard?

2 Q. Yes.

3 A. Yes.

4 Q. And what are those assumptions?

5 A. Well, the primary assumptions related to
6 the rate cases are that we'll file a rate case for both
7 Aquila and Kansas City Power & Light later this year,
8 which would pick up the addition of the environmental add
9 to Iatan 1, and then for Aquila additionally there is
10 environmental being installed at Sibley, I believe, and
11 then another case would be filed later in '09 for the
12 addition of Iatan 2.

13 Later in 2010, there may be -- as this
14 says, there may be a 2010 filing as well that's based on
15 the assumptions in the model. I'm not sure. But in
16 general the primary assumptions driving result were the
17 two primary, as it describes here, major assets added to
18 rate base in those cases.

19 Q. Is there an assumption that there will be
20 no disallowances by the Commission in those cases?

21 A. There is no allowance for disallowance at
22 this point, which is appropriate given our current work on
23 the projects. Hasn't been presented to the Commission for
24 review yet.

25 Q. Is the assumption that the Phase 2

1 environmental for Lacine 1 is in either the 2008 or 2009
2 rate case?

3 A. Phase 2 Lacine?

4 Q. Yes.

5 A. No. No. That's the plans as we discussed
6 with the CEP parties, the plans for that have been pushed
7 back past the inclusion of Iatan 2. So that would be
8 after the 2009 case effective in 2010.

9 Q. In fact, the Phase 2 Laclede 1
10 environmental enhancements are now projected beyond the
11 duration of the KCPL regulatory plan, are they not?

12 A. I think we've talked to the parties about
13 that it would probably be 2011 before we could get actual
14 delivery of the materials, I believe is the discussion
15 we've had, yes, sir.

16 Q. The next bullet point, the second bullet on
17 the top of page 2 assumes that GPE will invest in Aquila
18 and KCPL the amounts shown in the equity column?

19 A. Say that again.

20 Q. Bullet point 2 --

21 A. Yes, sir.

22 Q. -- assumes that GPE will invest in Aquila
23 and KCPL the amounts shown in the equity columns?

24 A. You said in KCPL. This is the equity that
25 we would issue at GXP for the combined entity, yes.

1 Q. The third bullet point, the capital
2 expenditures --

3 A. Can I stop you a minute?

4 Q. Yes.

5 A. You didn't ask me if there was a change. I
6 thought that was your next question.

7 Q. Go ahead.

8 A. We obviously -- Strategic Energy was sold,
9 and so we ultimately have some cash there. We've also got
10 some other things. So effectively what we've been able to
11 at least do is push this a little back further, but --
12 well, I apologize. That was included in these runs.
13 That's correct. So I apologize. These are right. I'm
14 sorry.

15 Q. The capital expenditures that are
16 forecasted in the third bullet point --

17 A. Yes, sir.

18 Q. -- are those capital expenditures still
19 accurate?

20 A. I believe -- Mr. Cline probably could
21 answer this to be for sure. There may be some additional
22 wind added to some of the later years. I don't recall for
23 sure. But Mr. Cline would know that answer.

24 Q. The capital expenditures that are shown in
25 the third bullet point are not based upon the reforecast

1 of the Iatan 2 and Iatan 1 projects that is currently in
2 progress?

3 A. No. As we've talked about, that was not
4 ongoing in January. We've continued to work to finish the
5 reforecast and are coming to a conclusion on that as we
6 head into next week.

7 Q. If the capital expenditures in the third
8 bullet point increase, will the debt and equity that is
9 shown as being issued in the second bullet point be to
10 increase also?

11 A. It could be, yes, sir.

12 Q. The debt and equity that is shown for a
13 particular year in the third -- excuse me -- in the second
14 bullet point does not match up with the capital
15 expenditures for a particular year in the third bullet
16 point.

17 A. I'm --

18 Q. Would you explain that? Is there any
19 reason why it should or should not?

20 A. Well, the debt and equity you seen shown on
21 the second bullet isn't intended necessarily just to
22 finance capital expenditures for any one given year. What
23 we would do is look at the whole of the company based on
24 the activities of the company and everything going on,
25 which it could require different amounts of debt or equity

1 depending on what was happening in that year.

2 It's not intended to -- debt and equity on
3 the second bullet are not intended to add to the capital
4 expenditure number on the third bullet, I guess is the
5 straightforward way to say that.

6 Q. If I could refer you again to the first
7 page.

8 A. Yes.

9 Q. And I'd like to refer you to the third
10 bullet point, the Strategic Energy item.

11 A. Yes, sir.

12 Q. Is GPE leaving any cash or cash equivalents
13 at Strategic Energy in the transaction that it has
14 negotiated?

15 A. Well, the way -- the way the settlement --
16 the way the contract has been structured is that we have
17 valued the dollars of working capital in total at
18 Strategic Energy as of the end of the year, and then the
19 bid would pay for -- would basically pay for that. And
20 then we've agreed for a true-up so that if there's
21 additional working capital by the time of the close, we
22 would receive those dollars as well.

23 In that kind of business, capital and
24 credit are important for its ongoing capability, and so
25 that's part of what Direct is paying for is the capital in

1 the business at the time.

2 Q. Does Strategic Energy have any debt?

3 A. It has a small amount of debt it has
4 incurred to put up letters of credit, for example, for its
5 business. So it has a small amount, but not -- it's only
6 for letters of credit and things like that.

7 Q. Is GPE assuming any of the debt as part of
8 the transaction with Direct Energy?

9 A. In the past GTE would have provided parent
10 guarantees and/or letters of credit on occasion when it
11 was cheaper to help finance or run the business, but no,
12 post close GPE will have no ongoing obligations with
13 regard to the sale.

14 MR. DOTTHEIM: One moment, please. I think
15 that at this point I have concluded my questions at least
16 for the moment regarding Exhibit 125, but I'm going to
17 have marked as an exhibit another document which I think
18 is highly confidential. So we might just stay in-camera.

19 JUDGE STEARLEY: All right, Mr. Dottheim.

20 MR. DOTTHEIM: Yes. At this time I'd like
21 to have marked for purposes of identification, is it
22 Exhibit 132?

23 JUDGE STEARLEY: Yes, we're at 132.

24 MR. DOTTHEIM: And the document is a
25 GPE/KCPL response to an Office of the Public Counsel Data

1 Request No. 1006 in the pending case.

2 (EXHIBIT NO. 132HC WAS MARKED FOR
3 IDENTIFICATION.)

4 BY MR. DOTTHEIM:

5 Q. Mr. Bassham, have you had an opportunity to
6 review what's been marked as Exhibit 132?

7 A. Yes, sir.

8 Q. Can you identify that document?

9 A. It's a request from Mr. Trippensee with OPC
10 asking for project cost reforecast process document
11 distributed at the PSC on March 12th, and there's a
12 written response on this page, and then attached is the
13 handout, I believe, that the DR requests.

14 Q. Have you seen the attached pages that are
15 attached to the written response?

16 A. I have.

17 Q. And can you identify what those attached
18 pages are?

19 A. Well, they are -- again, they are the
20 handout that was given to the parties on March 12th that
21 came from Dave Price, our project manager at Iatan 1 and
22 2, earlier in the year.

23 Q. And they related to a reforecast efforts
24 respecting Iatan 1 and Iatan 2?

25 A. My understanding of the document is it was

1 Mr. Price's look at potential cost increases that were
2 part of the reason we initiated the reforecast.

3 Q. Have you been involved in the reforecast
4 process?

5 A. As a member of the oversight committee, I
6 haven't been involved in the day-to-day reforecasting
7 process, but I have been involved as a member of the
8 oversight committee, and obviously as the CFO I'm getting
9 regular updates.

10 Q. And can you explain what your involvement
11 has been as a member of the oversight committee?

12 A. Well, at the beginning of the year, we
13 discussed the need for a reforecast. We were at a certain
14 level of engineering where it was typical. We had --
15 Mr. Price had looked at what he saw as potential cost
16 increases, so he thought it was appropriate.

17 And so the reforecasting process began, and
18 the oversight committee got regular updates about how that
19 would happen and who would be involved and how long it
20 would take to ultimately come up with a completed
21 reforecast.

22 Q. And you, I think, said at the beginning of
23 the year. Can you be more specific as far as dates are
24 concerned? And when you say at the beginning of the year,
25 could you identify a year?

1 A. Sure. It was 2008. We may have had a
2 discussion of reforecasting, you know, in November or
3 December in a meeting. I don't recall. The first time I
4 recall specifically talking about the reforecast would
5 have been at an EOC in an oversight committee meeting
6 where Mr. Price discussed the need to do an in-depth
7 reforecast to work with vendors, to ensure that the
8 current time schedule and budget was still on track. I
9 don't remember a specific day. I'm pretty clear -- I'm
10 pretty sure it was in January of '08.

11 MR. DOTTHEIM: At this time I'd like to
12 have another exhibit marked, and I think we can go out
13 from in-camera.

14 WHEREUPON, the in-camera portion of Terry
15 Bassham's testimony was concluded.

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1 JUDGE STEARLEY: We are back in-camera, and
2 again, I'm leaving it to the attorneys to police our
3 gallery for anyone who should not be included in these
4 discussions, questioning.

5 MR. ZOBRIST: Judge, if I could,
6 Mr. Dottheim, Exhibit 135, which the witness identified,
7 is marked highly confidential and proprietary, so I would
8 just request if we get into any details, that we do so
9 during this or another in-camera session.

10 MR. DOTTHEIM: Yes.

11 MR. ZOBRIST: Thank you. And then I would
12 also ask the court reporter to also mark Exhibit 135
13 highly confidential.

14 BY MR. DOTTHEIM:

15 Q. Mr. Bassham, do you have a copy of what was
16 marked last week as Exhibit 124, the Moody's Investor
17 Service letter of January 8th to Mr. Cline?

18 A. I do.

19 Q. I'd like to direct you to that letter.

20 A. Yes, sir.

21 Q. GPE requested Moody's to review for credit
22 rating purposes respecting GPE/KCPL the business
23 fundamentals and financial condition of GPE in connection
24 with the proposed merger of GPE with Aquila, did it not?

25 A. It did.

1 Q. GPE had changed several assumptions around
2 the transaction as presented to both the Missouri and
3 Kansas state regulators and asked Moody's to assess the
4 effect on the ratings of GPE and KCPL relative to the
5 proposed changes to Moody's previous understanding of the
6 transaction, did it not?

7 A. That's correct.

8 Q. I'd like to direct you to page 2, the
9 section key assumptions.

10 A. Yes, sir.

11 Q. Do you consider any of the items that are
12 set out as key assumptions as either being incorrect or no
13 longer valid?

14 A. Well, on an overall basis, I don't believe
15 there's any key assumption that's had a material change on
16 the result or conclusions given by Moody's. Would you
17 like me to go through each?

18 Q. No.

19 A. I mean, in general, the answer would be
20 there's not been a significant change to what would be the
21 end result. Obviously here's listed the Strategic Energy
22 analysis at 220, and I believe they took an after tax
23 number instead of a pretax. Again, that's similar to what
24 was in the other letter, but again it would be \$50 million
25 more than was included in the runs.

1 Q. I'd like to direct you to section D of the
2 letter, pages 2 to 4.

3 A. Yes, sir.

4 Q. Do you consider any of the items identified
5 in that section as being incorrect or having changed since
6 the letter was issued on January 8th?

7 MR. ZOBRIST: Judge, the only reason I
8 object is that's a two-page, single spaced letter, and I
9 don't want to delay the proceedings, but I just -- we may
10 need to go through it with a little more detail than
11 saying is everything on these two pages correct.

12 MR. DOTTHEIM: I was going to get -- I was
13 offering Mr. Bassham the opportunity to identify any
14 items. I thought I might move things along more quickly
15 in that manner. I didn't mean to deny him the opportunity
16 to go through it in detail.

17 THE WITNESS: I can do one of two things.
18 My answer would be the same as the prior in that I don't
19 believe there's been a material change to this -- to the
20 results that come from this document. There certainly
21 have been changes since January, and we talked about many
22 of them here already today. But in terms of do I have
23 confidence that the current results of this analysis is
24 still valid? The answer is yes.

25 BY MR. DOTTHEIM:

1 Q. I think we've previously talked about, and
2 I don't mean to go into any detail on this, but on page 4,
3 under the enhanced regulatory relationship section --

4 A. Yes, sir.

5 Q. -- the very last paragraph, the first
6 sentence, there's reference to primary sources of synergy
7 savings are expected to result from significant reduction
8 in personnel, increased operating efficiency from joint
9 dispatch, and then some other items are identified. We
10 previously discussed the matter about joint dispatch, did
11 we not?

12 A. We did, earlier in the hearing.

13 Q. Correct.

14 A. Yes, sir.

15 Q. And I think you indicated that GPE/KCPL is
16 not seeking authorization to engage in joint dispatch, did
17 you not?

18 A. That's correct. I think this is a little
19 broader description of what we described to and have
20 described to the investment community as opportunities for
21 our generation fleet as a whole, but we have not asked for
22 nor are we including benefits of joint dispatch in the
23 information we gave to the rating agencies or what we've
24 talked about today.

25 Q. When GPE/KCPL received the Moody's letter,

1 did anyone contact Moody's and point out that, regarding
2 joint dispatch, that/GPE KCPL was not planning to engage
3 in joint dispatch?

4 A. Again, I guess the answer would be no on
5 that specific issue, because the rating agencies aren't
6 concerned with joint dispatch as much as they are the
7 financial impact of joint dispatch, and our modeling did
8 not include that. So to the extent there had been some
9 disconnect, it would have been very important obviously to
10 contact them. The model didn't include any assumptions
11 with regard to joint dispatch.

12 So Mr. Cline had subsequent conversations
13 with them and may not have talked about it. We did not
14 talk about making that phone call. Doesn't cause our
15 findings to be different.

16 Q. If I could refer you back to Exhibit 124,
17 the Standard & Poor's letter.

18 MR. ZOBRIST: 125?

19 MR. DOTTHEIM: I'm sorry. 125. 125.

20 THE WITNESS: Yes, sir.

21 BY MR. DOTTHEIM:

22 Q. And page 3.

23 A. Yes, sir.

24 Q. The third paragraph which states, following
25 the merger, ILA will file for accelerated depreciation

1 which should help its cash flow measures during its
2 construction period. How will Aquila filing for
3 accelerated depreciation help cash flow measures during
4 Aquila's construction period?

5 A. Well, this is referring to what we call
6 amortization, and if Aquila was granted amortization in a
7 future case and utilized it in a rate case, it would work
8 similarly to how it helps KCPL&L. We did not include any
9 amortization or simulated depreciation as it's called here
10 in the financial runs.

11 Q. Do you know whether Standard & Poor's
12 assumed that the Missouri Commission would approve
13 additional amortization as filed by Aquila in the future?

14 MR. ZOBRIST: Judge, I want to object based
15 upon your ruling on Friday, but if this is being offered
16 for purposes of the offer of proof, then I understand the
17 line of questioning.

18 JUDGE STEARLEY: Mr. Dottheim, your
19 response?

20 MR. DOTTHEIM: Well, Mr. Bassham has
21 answered my first question. Secondly, I think it goes to
22 creditworthiness. The letter respecting the retention of
23 the investment grade rating of GPE/KCPL being based on the
24 proposal before the Missouri Commission includes this
25 item. So I think this very much goes to the issue of

1 creditworthiness.

2 JUDGE STEARLEY: Further response,
3 Mr. Zobrist?

4 MR. ZOBRIST: I believe in Mr. Bassham's
5 answer that he explained this paragraph, and that's why I
6 did not object. He indicated it was not in the runs when
7 the material was presented to the rating agency in order
8 to do these runs.

9 So I'm just objecting now because I think
10 we're going beyond that and I think we're getting into the
11 area where you suggested evidence could only be taken as
12 an offer of proof.

13 JUDGE STEARLEY: I'm going to sustain the
14 objection.

15 MR. DOTTHEIM: One moment, please. I think
16 we can go out from in-camera.

17 WHEREUPON, the in-camera portion of Terry
18 Bassham's testimony was concluded.

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1 JUDGE STEARLEY: Very well. We are
2 in-camera.

3 REDIRECT EXAMINATION BY MR. ZOBRIST:

4 Q. Mr. Bassham, you indicated that last
5 Friday, which I believe is April 25th, that there was a
6 meeting at which the oversight committee of the
7 Comprehensive Energy Plan received a report from the
8 reforecasting; is that correct?

9 A. An update.

10 Q. An update. And would you summarize the
11 results of that update to the Commission, please.

12 A. Obviously the two things that we've been
13 focused on from the reforecast perspective are schedule
14 and cost related to Iatan 1 and Iatan 2. The update,
15 again, which is being reviewed this week by our
16 independent consultant, indicated that, first of all, for
17 Iatan 2 there is currently no change in the current
18 schedule.

19 [REDACTED]
20 [REDACTED]
21 [REDACTED]
22 [REDACTED]
23 [REDACTED]
24 [REDACTED]
25 [REDACTED]

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Iatan 1, the schedule was originally to begin an outage, begin a 56-day outage on September the 19th. That outage has been slipped back 30 days, one month, to October 18th, and the outage has been extended 17 days to accommodate all the work to be done, which would cause the outage to be completed on 12/30/2008.

Q. 12/30?

A. December the 30th, 2008. I believe I got those dates right. The what's called acceptance, provisional acceptance to be sure the unit's up and running and doing what it's supposed to do would likely take another 30 days. It would likely be February 1st before that was ready to be included in a rate case, for example.

Q. Assuming that these figures are the figures

1 that are approved by the board of directors and are
2 released publicly, what, if any, effect do these numbers
3 have upon Great Plains Energy's plans to acquire Aquila?

4 MR. CONRAD: For clarification, are you
5 talking about KCPL board of Great Plains board?

6 MR. ZOBRIST: Great Plains board. Thank
7 you.

8 THE WITNESS: There would be no change in
9 our plans. We believe additional financing would be
10 required, but that we would be capable of financing
11 additional increases on these plants.

12 BY MR. ZOBRIST:

13 Q. And conversely, if the merger is approved
14 by the Commission on the basis that the company's asked
15 and your -- well, I think it's based upon these numbers,
16 but I'd be glad to consider declassifying when I see the
17 transcript.

18 My question is, if the company's
19 application as it now stands with your clarifications as
20 you've been on the stand is approved by the Commission,
21 what effect, if any, would that acquisition have upon
22 carrying out the Iatan 2 and Iatan 1 projects as you've
23 just outlined?

24 A. Well, again, no material change. We still
25 believe we have the ability to carry out our plans,

1 including the addition of this additional financing to
2 complete the plants.

3 MR. ZOBRIST: Mr. Mills, when I can see
4 that transcript, I may agree that that can be disclosed
5 publicly.

6 That's all I have, Judge.

7 JUDGE STEARLEY: All right. Thank you,
8 Mr. Zobrist. Mr. Bassham, I believe that concludes your
9 examination. You may step down at this time. I will not
10 finally release you just in case the Commissioners want to
11 call you back.

12 I do believe this is Mr. Bassham's last
13 scheduled appearance; is that correct?

14 MR. ZOBRIST: That's correct, Judge, and I
15 would like to offer -- I wrote myself a note about three
16 hours ago. I believe his exhibits are Exhibit 1,
17 Exhibit 2, both HC and NP, Exhibit 3 and Exhibit 37, both
18 NP and HC, and I would offer them into evidence at this
19 time.

20 JUDGE STEARLEY: Objections to the offering
21 of Exhibits 1, 2, 3 and 37?

22 MR. CONRAD: Yes, sir. My notes kind of
23 seem to indicate that we've already dealt with and I had
24 made objections to Exhibit 1. If I have not, our specific
25 objections there would be found on page 4 of the

1 November 28 Motion in Limine. To the second filing, which
2 I believe was Exhibit 2, the objections there, your Honor,
3 would be found on page 6, paragraph K. And to the
4 surrebuttal, which I believe was identified as 3, that
5 would be found on page 7. Since those are all noted on my
6 copy, it suggests that we've already gone through that.

7 What I don't think we have gone through is
8 Exhibit -- no. That's also noted and circled. That's
9 Exhibit 4, which is his February 25 testimony, and the
10 objection there is listed on page 5 of the March 13 second
11 Motion in Limine. All of that is pursuant to the
12 objection, the basis stated in the motions, as well as
13 what is I have verbally supplemented throughout this
14 hearing.

15 JUDGE STEARLEY: Mr. Conrad, just for
16 clarity, you had, I think, said Exhibit 5, and I thought
17 we were looking at Exhibit 37 for the additional
18 supplemental direct.

19 MR. CONRAD: Well, I guess I have -- I have
20 his direct that we have listed. I have his supplemental
21 direct, which was -- I want to say that was -- that was
22 sometime after that. Is that No. 2?

23 JUDGE STEARLEY: Yes, that's No. 2.
24 Surrebuttal is No. 3.

25 MR. CONRAD: Surrebuttal, yes, I had No. 3.

1 I thought I had noted No. 5, but is that where the --
2 where the argument is?

3 JUDGE STEARLEY: Yeah. I have the
4 additional supplemental direct listed as Exhibit 37.

5 MR. CONRAD: Okay. Is that what was filed
6 on February 25?

7 MR. ZOBRIST: That's correct.

8 MR. CONRAD: Okay. Then we've got it right
9 by date, and I just have the wrong number on it. So
10 that's 37, and again, that's on page 5, paragraph A on the
11 March 13 second motion. I'll be happy to read those, but
12 I take it you'd rather not burden the record.

13 JUDGE STEARLEY: I do have that motion in
14 front of me, Mr. Conrad, and I appreciate that offer. And
15 keeping consistent with our prior rulings, we will
16 overrule those objections.

17 Are there any other objections to the
18 admission of Exhibits 1, 2, 3 and 37?

19 (No response.)

20 JUDGE STEARLEY: Hearing none, then they
21 shall be received and admitted into evidence.

22 (EXHIBIT NOS. 1, 2, 3 AND 37 WERE RECEIVED
23 INTO EVIDENCE.)

24 JUDGE STEARLEY: Mr. Dottheim?

25 MR. DOTTHEIM: Yes. I would like to offer

1 Staff Exhibits 132 through 139.

2 MR. MILLS: Judge, at least according to
3 the screen out here, we're still in-camera and have been
4 for all of this, and I don't think -- at least the sort of
5 housekeeping matters involving testimony --

6 JUDGE STEARLEY: My apologies, Mr. Mills.
7 Thank you for calling my attention to that.

8 WHEREUPON, the in-camera portion of Terry
9 Bassham's testimony was concluded.

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