

1 STATE OF MISSOURI
2 PUBLIC SERVICE COMMISSION
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6 TRANSCRIPT OF PROCEEDINGS
7 IN-CAMERA PROCEEDINGS

8 April 29, 2008
9 Jefferson City, Missouri
Volume 20

10 In the Matter of the Joint)
11 Application of Great Plains)
Energy Incorporated, Kansas)
12 City Power & Light Company,)
and Aquila, Inc., for Approval)Case No. EM-2007-0374
13 of the Merger of Aquila, Inc.,)
with a Subsidiary of Great)
14 Plains Energy Incorporated and)
for Other Related Relief.)

15
16 JUDGE HAROLD STEARLEY, Presiding,
REGULATORY LAW JUDGE.
17 CONNIE MURRAY,
ROBERT CLAYTON,
18 KEVIN GUNN,
COMMISSIONERS.
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21

22 REPORTED BY:

23 PAMELA FICK, RMR, RPR, CCR #447, CSR
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: Mr. Dottheim, Mr. Giles,
3 are you ready to proceed?

4 CROSS-EXAMINATION (CONTINUED) BY MR. DOTTHEIM:

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

7 A. I have.

8 Q. Have you seen that document before?

9 A. I have not.

10 Q. You've not seen the cover page which
11 contains the question of the Office of Public Counsel
12 and a GPE/KCPL response?

13 A. No.

14 Q. Okay. And you've not seen previously
15 the attached pages supplied by GPE/KCPL?

16 A. No.

17 Q. Okay. You've had an opportunity to --
18 to read the -- that cover page, have you not?

19 A. Yes, I have.

20 Q. The cover page makes reference to a
21 March 12, 2008 meeting, does it not?

22 A. Yes, it does.

23 Q. Did you attend that meeting?

24 A. I did.

25 Q. Do you recall the subject matter that

1 was discussed that's related in the cover page?

2 A. Yes.

3 Q. I think you've previously mentioned the
4 name David Price. Could you identify who that
5 individual is?

6 A. Dave Price was vice president of
7 construction until late February or early March. I
8 believe he resigned.

9 Q. And I believe you made reference to a
10 meeting last Friday of the CEP oversight committee?

11 A. Yes.

12 Q. And were reforecast numbers presented at
13 that meeting to the reforecast -- excuse me, to the
14 oversight committee members?

15 A. They were.

16 Q. Who made the presentation at the meeting
17 last Friday?

18 A. Terry Foster was the primary presenter.

19 Q. Who were the other presenters?

20 A. There were several members of the
21 leadership team there that may have weighed in
22 occasionally, but Terry was primarily the presenter.

23 Q. Do you recall who those other individuals
24 were who may have weighed in occasionally?

25 A. Brent Davis attended, Dan Meyer, I

1 believe Steve Easley. I'm just trying to recall who
2 spoke. There were several people that spoke at
3 various points in time.

4 Q. Was the oversight committee requested to
5 take any action at the Friday meeting?

6 A. The oversight committee indicated there
7 was some additional work that needed to be done, both
8 follow-up review by Dan Myers of the process and the
9 reforecast itself. There were some discussions
10 regarding the presentation format in anticipation of
11 a board meeting next week. There was not a specific
12 request of the -- of the committee.

13 Q. Do you know whether there was any plan
14 for any specific request of the oversight committee
15 in the future regarding the reforecast numbers?

16 A. Well, I think the -- my interpretation
17 of the meeting was that if anyone had an issue with
18 what was in the presentation, it was incumbent upon
19 them to raise those issues in their meeting.

20 To the extent there were no issues
21 raised, then as I indicated, the preparation now is
22 for some additional review, so a presentation
23 reformat, and it will be presented to the board.

24 Q. Mr. Giles, you earlier used the term
25 "change order." Could you identify what you mean by

1 the word -- by the term change order?

2 A. Change order is a term used in the
3 industry and in construction projects to initiate and
4 ultimately implement a change in cost or schedule
5 depending on the nature of that change. It could be
6 attributable to any number of things.

7 Q. As a consequence, the -- the reforecast
8 would result from, amongst other things, change
9 orders?

10 A. Well, that's a -- that's a part of it.
11 It's not just change orders that have been received,
12 it's change orders that may be anticipated as well.

13 Q. Is it your understanding that there are
14 plans to do an additional reforecast for the
15 completion of the Iatan 2 project?

16 MR. MILLS: Steve, we're still in-camera.

17 MR. DOTTHEIM: Oh, excuse me. I'm
18 sorry. We're still in -- Mr. Mills has advised me
19 of -- reminded me we're still in-camera, and I
20 don't -- I don't think there is any -- any need to
21 remain in-camera.

22 JUDGE STEARLEY: All right. Very well.

23 (WHEREUPON, the in-camera portion of
24 Chris Giles' testimony was concluded.)

25

1 JUDGE STEARLEY: We are in-camera. And
2 again, I'll leave it to the attorneys to police our
3 gallery for anyone who should not be here for this
4 portion of the testimony. You may proceed,
5 Mr. Mills.

6 CROSS-EXAMINATION (CONTINUED) BY MR. MILLS:

7 Q. And let me ask you another preliminary
8 question since the company is asserting that this is
9 highly confidential. Have you in any public manner
10 stated that the results of the reforecast will be
11 higher than the -- than the definitive estimate?

12 A. We have indicated in public documents
13 that we are seeing upward pressure on costs for new
14 plant construction.

15 Q. Is that a yes?

16 A. It's -- we have not been specific to a
17 number about the plant. We have talked in
18 generalities about the construction industry.

19 Q. Okay. Well, let me -- let me ask the
20 question again. Have you said publicly whether the
21 results of the reforecast will be higher than the
22 definitive estimate?

23 A. No.

24 Q. Okay. Since we are in-camera, are, in
25 fact, the numbers that -- the preliminary results of

1 the reforecast, are those higher than the definitive
2 estimate?

3 A. Yes.

4 Q. Okay. Now, from the point of view of a
5 debtholder, would an increase in cost of construction
6 at the Iatan projects be an improvement in the
7 company's financial picture or a degradation in the
8 company's financial picture, just taking that
9 particular item by itself?

10 A. It could be either. Just -- in a
11 vacuum, I don't know. It's -- relative to what?

12 Q. It could be an improvement from a --
13 from a debtholder's perspective?

14 A. I don't -- I can't -- I think it
15 could -- it could be, could be not.

16 Q. And how -- and how could it be an
17 improvement?

18 A. Well, it depends on the overall
19 situation of the company in terms of its relative
20 health and ability to do what it needs to do and its
21 ability to pay off the debt and service the interest.

22 Q. Okay. So for the purposes of this
23 question, assume that all else is -- is equal,
24 nothing else has changed except for the fact that
25 those costs -- those cost estimates have gone up.

1 Can you answer that question, will that be an
2 improvement or a degradation?

3 A. Would you ask the question ...

4 Q. Assuming that nothing else is changed
5 with the company in terms of ability to repay or any
6 other circumstances, the only thing that has changed
7 is that the cost estimate for the Iatan 1 and 2
8 projects has gone up, is that an improvement or a
9 degradation from the view of the debtholder?

10 A. I don't -- again, I don't -- I don't
11 know that -- that -- that that can -- I can give you
12 an answer on the basis of that question.

13 MR. MILLS: Okay. Judge, I think -- I
14 think that's all I have that's going to be highly
15 confidential.

16 JUDGE STEARLEY: All right. Very well.

17 (WHEREUPON, the in-camera portion of
18 William Downey's testimony was concluded.)

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1 CROSS-EXAMINATION (CONTINUED) BY MR. WOODSMALL:

2 Q. Do you have page 14 of that --

3 A. Yes, I do.

4 Q. -- schedule?

5 A. Yes, I do.

6 Q. At the top of that page, it says
7 "Synergies and Customer Look." Do you see that?

8 A. Yes, I do.

9 Q. Turning to the column marked "2008 E,"
10 you see a number "\$30 million," do you see that?

11 A. Yes, I do.

12 Q. Okay. And then moving to the next
13 column over, "2009 E," you see that \$30 million being
14 split up, 15 million under an Offset and then \$15
15 million under Net Retained. Do you see that?

16 A. Yes. Yes, I do.

17 Q. And as I understand that, that 15 to
18 each category reflects the saving -- the synergy
19 savings that's resultant of regulatory lag, would
20 that be correct?

21 A. Yes, that's correct.

22 Q. Okay. Looking at 2009, under the
23 "Customer Perspective," there is \$15 million in net
24 retained, and then do you see \$10 million of
25 transaction costs and one -- and \$5 million in

1 transition costs?

2 A. I do.

3 Q. Okay. And it leaves a number of --
4 retained of \$1 million. Does that not add up because
5 of a rounding or can you tell me why that's 1 million
6 instead of zero?

7 A. I can't answer that. I assume it must
8 be rounding.

9 Q. Okay. Do you know who prepared this?

10 A. This schedule was actually prepared, I
11 believe, by Mr. Kobayashi, Todd Kobayashi.

12 Q. And he's not testifying in this case; is
13 that correct?

14 A. He is not.

15 Q. Can you tell me what would happen to
16 that bottom line \$1 million for 2009 estimate if the
17 2008 \$30 million number changed?

18 A. I'm sorry. Could you ask that again,
19 please?

20 Q. If the \$30 million savings number for
21 2008 estimate changes, can you tell me what would
22 happen to the \$1 million for 2009 estimate?

23 A. There would be a change to that number
24 as well.

25 Q. Okay. So if the \$30 million changed to

1 29 million, could you tell me what would happen to
2 the \$1 million figure?

3 A. Then it would be reduced by .5.

4 Q. .5. So if -- and that's assuming the
5 1 million is a full 1 million and not a rounded-off
6 number?

7 A. Correct.

8 Q. Okay. And if the savings was 28
9 million, that number would go to zero; is that
10 correct?

11 A. Yes.

12 Q. Okay. And if it went to 27 million,
13 that number, would it go negative?

14 A. In that year, yes.

15 Q. Okay. Turning to the next page,
16 page 15.

17 A. Yes, sir.

18

19

20 A. Yes, sir.

21 Q. And I guess just to get some background
22 on this, can you tell me what this page 15
23 represents?

24 A. This page was designed to demonstrate
25 for the rating agencies the amount of equity that we

1 would expect to issue pursuant to the -- the plan.

2 Q. Okay. And this is not only equity to
3 purchase Aquila, but it's also equity to finish the
4 comprehensive energy plan and all the other needs of
5 the company; is that correct?

6 A. Yes. This is actually new -- new equity
7 to be issued by the company in this time frame.

8 [REDACTED]
9 [REDACTED]
10 [REDACTED]
11 [REDACTED]
12 [REDACTED]
13 [REDACTED]
14 [REDACTED]
15 [REDACTED]
16 [REDACTED]
17 [REDACTED]

18 A. It would increase.

19 Q. Okay. And if the number of shares
20 increased, would also the dividend needs -- the
21 dividend payments that KCP&L made for those shares
22 increase as well?

23 A. Yes. We have assumed that we will
24 continue our current level of dividend of \$1.66 per
25 share.

1 Q. Can you tell me what the current share
2 price is for GPE?
3 A. It's about 25.70.
4 [REDACTED]
5 A. It is.
6 Q. Can you tell me if that 25.70 is
7 approximately at your five-year low?
8 A. No. It's \$2 above that.
9 Q. \$2 above your five-year low?
10 A. Yes.
11 Q. Okay. Do you know -- so you -- it's
12 your belief that the five-year low was somewhere
13 around 23.70?
14 A. I believe so. I checked it this
15 morning. At least our six-year low was --
16 Q. Six-year low?
17 A. Yes, sorry. Six-year low was 23.70.
18 Q. Do you know what your five-year low was?
19 A. I don't.
20 Q. Okay. Do you know when that 23.70, when
21 that stock price was attained as your low?
22 A. May of 2002.
23 Q. Okay. So it was prior to five years?
24 A. Yes.
25 MR. WOODSMALL: Okay. I have no further

1 questions. Thank you. Oh, I guess we can go out of
2 camera.

3 MR. MILLS: If I'm next, we might as
4 well stay in-camera.

5 JUDGE STEARLEY: All right. Very well.
6 Thank you, Mr. Woodsmall. And you are next,
7 Mr. Mills, and we are still in-camera.

8 CROSS-EXAMINATION BY MR. MILLS:

9 Q. And Mr. Cline, I'm going to ask you a
10 number of questions about that same Exhibit MWC-18.
11 And before I do, is MWC-18 quite similar to MWC-19?

12 A. It is.

13 Q. Okay. And just sort of for -- for
14 general background purposes, both MWC-18 and MWC-19
15 are materials that you provided to the two rating
16 agencies, Standard & Poor's and Moody's,
17 respectively?

18 A. Yes.

19 Q. Okay. And so when we see for --
20 Exhibits 125HC and 124HC which are the early January
21 letters from Standard & Poor's and Moody's, when
22 they -- when they referred to assumptions in those
23 letters, they're referring to the assumptions that
24 you sent to them in the form of MWC-18 and MWC-19; is
25 that correct?

1 A. In addition to these, there were also
2 some follow-up clarifications that were -- that were
3 made with the agencies. There was some -- some Q&A
4 that occurred within a couple of days thereafter, but
5 this would be the -- the core assumptions.

6 Q. Okay. Did the follow-up Q&As, were you
7 involved in those?

8 A. I was.

9 Q. Were those done orally or in writing?

10 A. Both.

11 Q. Okay. If -- if I ask -- if any of the
12 questions that I ask you about MWC-18 and -19 are
13 affected by or changed by those follow-up in Q&As,
14 will you be sure and let me know as part of your
15 answer?

16 A. Yes. Yes, I will.

17 Q. Okay. So that if you don't mention
18 that, I'll assume that whatever the Q&A was didn't
19 change the underlying assumptions.

20 A. Yes, sir.

21 Q. Okay. Now, page 9 of MWC-18 is labeled
22 "Key Assumptions"; is that correct?

23 A. It is.

24 Q. And about the middle of page 9, it talks
25 about the capital structure. For each of the years

1 shown there, 2008, '9, '10 and '11, what percent
2 equity capital structure are you assuming?

3 A. Just one moment, please. That solves
4 for a regulatory equity ratio of 55 percent.

5 Q. For each of those years?

6 A. Yes.

7 Q. 55 percent equity and 45 percent debt?

8 A. Yes, regulatory.

9 [REDACTED]
10 [REDACTED]
11 [REDACTED]
12 [REDACTED]
13 [REDACTED]
14 [REDACTED]
15 [REDACTED]
16 [REDACTED]
17 [REDACTED]
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Q. Now, with respect to the -- to the --

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all of the -- all four of those operating assumption

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bullets, on what basis did you yourself evaluate

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their reasonableness?

9

A. I would not have had any basis to

10

evaluate. Again, I was not a member of the -- of the

11

deal team, but Mr. Kobayashi, Mr. Bassham had -- had

12

worked with Aquila on -- on developing these

13

assumptions for well over a year at that point.

14

Q. Now, if I can get to -- get you to turn

15

to page 10, and -- and maybe two-thirds,

16

three-quarters of the way down, there's a -- there's

17

a point that says "10.75 percent ROE."

18

A. Yes.

19

Q. Is that the assumed return on equity for

20

regulatory purposes for both KCPL and Aquila through

21

the years shown on this table?

22

A. Yes.

23

Q. Okay. Do you recall the actual ROE that

24

Aquila was granted in its -- in its 2007-0004 rate

25

case?

1 A. It strikes me that it was in the 10.4
2 range. I don't recall exactly, though.

3 Q. Do you recall that it's something less
4 than 10.75?

5 A. Yes.

6 Q. Okay. Then the next line has "7 percent
7 cost of debt recovery." And explain to me how -- how
8 that figures into this table. Does that mean that
9 for both companies throughout this period, your
10 assumption is that the regulatory cost of debt will
11 be set at 7 percent?

12 A. No. This was designed to capture the --
13 the -- the impact of just the Aquila debt that is not
14 fully in rates today.

15 Q. So -- so this is the incremental aspect
16 of the Aquila debt that's actually above 7 percent?

17 A. Yes.

18 Q. Okay. And with respect to the -- the --
19 the key changes and assumptions shown on page 10, did
20 you prepare these?

21 A. No, I did not.

22 Q. Okay. And on what basis did you
23 evaluate the reasonableness of the assumption of
24 10.75 ROE for both companies from the period 2008
25 through 2011?

1 A. The view internally was simply that the
2 most recent ROE earned by KCP&L in its rate case
3 would be a reasonable assumption to use for this
4 purpose.

5 Q. Okay. And -- and why -- why do you
6 believe that that is reasonable to use for both KCPL
7 and Aquila throughout this period?

8 A. I believe the collective view internally
9 was that -- that the same parties who had negotiated
10 and -- and -- and worked on the rate case for KCP&L
11 in -- in 2007 would be handling the Aquila matters,
12 regulatory matters going forward.

13 Q. Okay. Now, towards the -- towards the
14 bottom of the page, there's a bolder-type heading
15 called "Other Changes," and below that two bullets --

16 A. Uh-huh.

17 Q. -- or two items, the first of which
18 reads "New GXP Stand-Alone Case." What does that
19 refer to?

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

1 Q. Okay. And what is the other item?

2 A. I -- I -- I don't have any visibility
3 into what was there.

4 Q. I'm sorry. You don't have what?

5 A. I don't have any visibility into what
6 was there. I don't know what the components were.

7 Q. Oh, okay. And turning to page 11. Now,
8 this -- this page is referred to -- or titled as
9 "Aquila Rate Case Increase Assumptions." Did you --
10 did you prepare this page?

11 A. No, I did not.

12 Q. And who did?

13 A. This was prepared by our advisor to
14 the -- to the transaction with input from
15 Mr. Kobayashi and -- and others.

16 Q. And -- and your advisor would have
17 been -- is that Credit Suisse?

18 A. Credit Suisse.

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

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18 [REDACTED]
19 [REDACTED] [REDACTED]
20 [REDACTED] [REDACTED]
21 [REDACTED]

22 A. Yes, I do.

23 Q. Okay. Would it be -- if the Iatan plant
24 doesn't go into service until -- until the middle of
25 2010, would it get a full year's worth of rate

1 recovery in 2010?

2 [REDACTED]

3 [REDACTED]

4 [REDACTED]

5 2010 would be less than 2011?

6 A. Yes.

7 Q. Okay.

8 A. Reflecting half a year in service.

9 Q. Okay. Now, when we look at the key

10 regulatory statistics down at the -- at the bottom of

11 the page, and looking at the headings on -- on the

12 left-hand column, there's "Rate base," then there's

13 "Regulatory equity ratio," "Actual ROE" and

14 "Regulatory cost of debt." Do you see those?

15 A. Yes, I do.

16 Q. And do you know why "Equity ratio" and

17 "Cost of debt" are reflected on a regulatory basis

18 and "ROE" is reflected on an actual basis?

19 A. I don't, other than maybe there was an

20 attempt here to try to -- try to reflect the -- the

21 impact of regulatory lag --

22 Q. Okay.

23 A. -- for the agency.

24 Q. And in terms of regulatory --

25 "Regulatory cost of debt," this shows a flat

1 7 percent cost of debt throughout this -- throughout
2 the 2007 through 2012 horizon; is that correct?

3 A. Yes.

4 Q. And an equity ratio of 5 percent; is
5 that correct?

6 A. Yes.

7 Q. And again, just because sometimes people
8 talk about debt ratio and sometimes they talk about
9 equity ratio, that means 55 percent equity, 45
10 percent debt; is that correct?

11 A. Yes.

12 Q. Okay. Do you know what equity ratio was
13 used in Aquila's last Missouri rate case?

14 A. I believe it's lower than this number,
15 but I don't know the exact amount.

16 Q. Okay. Assuming that it was -- well,
17 whether or not it was lower, do you know what -- what
18 the basis was for assuming here that -- that it would
19 be for regulatory purposes set at 55 percent for the
20 next five years?

21 A. I believe the view was that we were --
22 we were managing to the Great Plains Energy capital
23 structure that would be used for regulatory purposes
24 for both Aquila and for KCPL, and this would be
25 representative of the sorts of targets that we would

1 use for the Great Plains cap structure.

2 Q. And so are you planning, assuming that
3 the transaction's approved, to seek regulatory
4 treatment for Aquila of approximately 55 percent
5 equity for the next -- up through 2012 --

6 A. That was what --

7 Q. -- the rate cases?

8 A. That was what we assumed here. I mean,
9 obviously, that could change from year to year, but
10 it is what we assumed here.

11 Q. Now, page 12 goes through the
12 preliminary earnings impact analysis, and is this --
13 I think 11 was -- was Aquila. Is page 12 Aquila and
14 KCPL together?

15 A. Yeah. This is, I think, designed to be
16 consolidated Great Plains Energy with the merger.

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

1 [REDACTED]
2 [REDACTED]
3 [REDACTED]
4 [REDACTED]
5 [REDACTED]
6 [REDACTED]
7 [REDACTED]
8 A. Yes, I can ... just under 40 percent.
9 Q. Okay. Now, to -- if we look at the
10 notes to this page, note two says that -- the acronym
11 is EBITDA, E-B-I-T-D-A, which -- correct me if I'm
12 wrong, but that stands for earnings before income
13 taxes, depreciation and amortization?
14 A. It's actually earnings before
15 interest --
16 Q. Interest.
17 A. -- taxes.
18 Q. Taxes. Okay.
19 A. Yeah.
20 Q. All right. And note two says it
21 includes income related to AFUDC equity; is that
22 correct?
23 A. Yes.
24 Q. And I'm sure there's a perfectly logical
25 explanation for this, but, for example, if we go up

1 to page 17 and look at the note, it says that EBITDA
2 excludes income-related equity AFUDC.

3 A. Yeah, I don't have an explanation of the
4 difference.

5 Q. Okay. And then back on page 1, note two
6 goes on to say that "excludes the effect of
7 transaction and transition costs." Do you know why
8 those effects were excluded on page 12?

9 A. No, I don't.

10 Q. And then if I can get you to flip
11 forward to -- to page 14, and I believe Mr. Woodsmall
12 asked you some questions about this. Can you
13 identify for the record what the acronym NFOM is
14 under "NFOM savings" at the -- at the top of the
15 chart?

16 A. Nonfuel operations and maintenance
17 expense.

18 Q. Okay. Now, the way this chart is laid
19 out, it's got a KCPL/Aquila perspective and a
20 customer perspective; is that correct --

21 A. Yes.

22 Q. -- those two charts on that page? If,
23 for example, the Commission were to decide that
24 customers should not be responsible for transaction
25 costs, would the line under Transaction Costs move

1 from the Customer Perspective at the bottom to the
2 KCPL/Aquila Perspective at the top?

3 A. Yes.

4 Q. So that the -- the bottom line of the
5 bottom chart would -- would increase proportionately
6 and the bottom line of the top chart would decrease
7 proportionately; is that correct?

8 A. That's correct.

9 Q. Okay. And then if I can have you flip
10 forward to page 17. Is -- the Amortization of Debt
11 Write-Up line that's approximately the middle of the
12 page, are those the numbers that are calculated in
13 your schedule 17?

14 A. No. This is the -- the impact of the
15 need to essentially take the Aquila high coupon debt
16 and write it up to market value at transaction close.
17 So obviously, because the coupon rate is much higher
18 than current interest rates, there's a significant
19 difference in notional value.

20 Q. Okay. And the way it's amortized,
21 it's -- it's steady for the first four years and then
22 it drops. How does -- how is that -- is that
23 amortization gone after 2012?

24 A. Yeah --

25 Q. Is that the last little bit of it, the

1 20.2 million in 2012?

2 A. The debt matures in 2012.

3 Q. So the one -- projecting this chart on
4 out, that -- that line would be zero in the future?

5 A. That's right, that's right.

6

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9 Do you know what that entry is for?

10 A. I don't, no, I'm sorry.

11 Q. And on -- on page 18, and I think this
12 comes up again later, there's a -- under Total
13 Current Liabilities -- well, first of all, let me
14 back up a little bit and ask you, what is this --
15 what is this sheet showing, Preliminary Balance
16 Sheet? Is that for the -- the -- the combined
17 entities of GPE and Aquila or Aquila standalone or
18 what -- what -- whose balance -- whose preliminary
19 balance sheet does this show?

20 A. Yeah, this is the -- this is the
21 pro forma Great Plains Energy consolidated financials
22 with Aquila.

23 Q. Okay.

24 A. So it's to reflect the combined balance
25 sheet.

1 Q. And three-quarters of the way down or
2 so, there's a line item called Aquila Revolver Debt.

3 A. Uh-huh.

4 Q. What is that?

5 A. That was the assumed amount of
6 short-term debt that Aquila would incur going forward
7 to finance expenditure.

8 Q. Okay.

9 A. Revolver is short for revolving credit
10 facility.

11 Q. Okay. And then a little below that,
12 there are three headings: Deferred Tax Liabilities,
13 Price Risk Management Liabilities and Deferred
14 Credits and Other Liabilities. What are the -- what
15 are the amounts -- I mean, I don't -- I don't need
16 you to repeat the dollar amounts, but describe for me
17 what -- what are the dollars included in each of
18 those headings?

19 A. I -- I don't have any additional detail
20 I can provide there.

21 Q. So you don't know anything beyond those
22 bare words on the page?

23 A. With respect to those items.

24 Q. Okay. And the -- the -- the note at the
25 bottom says that the source, apparently, for this

1 whole page -- is that how you read the source note,
2 that the information on this page is sourced from GXP
3 data and retained synergies per GXP management;
4 Aquila data per Aquila management plan as adjusted by
5 GXP management?

6 A. Right.

7 Q. Okay. What is the Aquila management
8 plan?

9 A. This goes back, I believe, to an initial
10 forecast that Aquila provided in the fall of 2006
11 when -- when the initial discussions were underway on
12 the transaction, and I don't -- I don't know that it
13 was updated from that.

14 Q. Well, the -- the close of that note
15 says, "As adjusted by GXP management." How did GXP
16 management adjust it and who did that specifically?

17 A. The adjustments would have been made,
18 you know, primarily by Mr. Bassham, Mr. Kobayashi as
19 the primary leads on the -- on the transaction team.
20 There were certain things that we knew that we would
21 do if we owned Aquila with respect to capital
22 expenditures and so forth. So those were the types
23 of adjustments that were -- that were made.

24 Q. Did you do the adjustments?

25 A. No, I did not.

1 Q. And then if you'd turn onto page 19,
2 we've got the same note at the bottom; is that
3 correct?

4 A. I think it's the same on all of these.
5 Yes, it is there.

6 Q. Okay. And on page 19, there's a line --
7 it's roughly four or five down from the top --
8 "Amortization of restructuring costs." What are the
9 restructuring costs referred to here?

10 A. I believe those are the transaction
11 costs.

12 Q. Just transaction or transaction and
13 transition?

14 A. I'm not seeing them separately, so they
15 must have captured both, transaction and transition.

16 [REDACTED]
17 [REDACTED]
18 [REDACTED]
19 [REDACTED]

20 A. Yes.

21 Q. And why is that?

22 A. I don't have the detail.

23 Q. And then if we get to page 20 through
24 basically the end of the document, page 25, is that
25 all standalone Aquila from -- from the slide that

1 says "Standalone Aquila financials" through end of
2 page 25?

3 A. Yes, it is.

4 Q. Okay. And what's your understanding of
5 what it means to present standalone Aquila
6 financials? Are these pro forma projections for
7 Aquila if the acquisition doesn't take place, or are
8 these projections of how Aquila as an individual
9 corporate entity will be after the acquisition does
10 take place?

11 A. This is the standalone look at Aquila as
12 part of Great Plains but separate. That's the way
13 the agencies like to view things.

14 Q. Okay. And if you look on page 22,
15 there's a line for Revolver Debt. Is that the same
16 as the revolver debt that we were looking at earlier?

17 A. The numbers are -- are different, but I
18 don't know what would have driven that -- that change
19 in -- in assumption.

20 Q. Okay. Do you know which set of numbers
21 is accurate?

22 A. Well, I would think viewing -- viewing
23 the pro forma, that really, the combined look at the
24 company and the -- and the balance sheet items and
25 entries there would be -- would be more

1 representative than trying to look at Aquila on a
2 standalone basis, but I can't speak for certain.

3 Q. And again, on page 22 we've got a
4 similar entry that says "Price risk management
5 liabilities." Do you know what that is?

6 A. No. As I said earlier, I don't have
7 details there.

8 Q. Now, if you look at page 25, is this
9 summarized capital expenditures for Aquila as a
10 separate corporate entity after it has been acquired
11 by GPE?

12 A. Yes.

13 Q. Okay. And if you look, for example,
14 under Total Distribution, do you see that line?

15 A. Uh-huh.

16 Q. Does that show negative capital
17 expenditures in four out of the five years shown
18 here?

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

1 [REDACTED]
2 [REDACTED]
3 [REDACTED]
4 [REDACTED]
5 [REDACTED]
6 [REDACTED]
7 [REDACTED]
8 [REDACTED]
9 [REDACTED]
10 [REDACTED]
11 [REDACTED]
12 [REDACTED]
13 [REDACTED]
14 [REDACTED]
15 [REDACTED]

16 A. I believe that would have been based on
17 Iatan's share of the control budget estimate.

18 Q. Of the control budget?

19 A. Yes.

20 Q. Okay. Rather than -- than the
21 reforecasting numbers?

22 A. Correct. This was done in January.

23 MR. MILLS: Okay. Judge, that's all the
24 questions I have.

25 JUDGE STEARLEY: Thank you, Mr. Mills.

1 It's your turn, Mr. Dottheim. Do we need to remain
2 in-camera?

3 MR. DOTTHEIM: I don't think so. Can we
4 take a short break? I need to get a document.

5 JUDGE STEARLEY: Certainly. We will
6 break and be back here in ten minutes.

7 (WHEREUPON, the in-camera portion of
8 Michael Cline's testimony was concluded.)

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1 JUDGE STEARLEY: We are back in-camera.

2 CROSS-EXAMINATION (CONTINUED) BY MR. DOTTHEIM:

3 Q. Mr. Cline, could you tell us what that
4 financing plan is projected to be at the present
5 time?

6 A. I couldn't tell you specifically today
7 because the reforecast isn't fully complete yet.

8 Q. Okay. Could you provide a general idea
9 or a conceptually? I mean, what is -- what is the
10 present thinking based upon the results that were
11 presented on Friday, April 25? I mean, there must be
12 evidently some thinking in that you've raised this
13 matter in response to a question of mine.

14 A. Well, again, we don't have any specific
15 parameters that we've developed as far as a financing
16 plan for the reforecast. That will be developed over
17 the next couple of weeks specifically.

18 Q. If the reforecast numbers do not
19 materially change from what they presently are --

20 A. Uh-huh.

21 Q. -- will a financing plan be developed as
22 a -- as a result of the reforecast numbers?

23 A. Yes.

24 Q. As a result of that reforecast plan,
25 would you anticipate a financing filing for

1 authorization at the Missouri Public Service
2 Commission?

3 A. No, not -- not -- not at this point.

4 Q. And why is that? Is it too far in the
5 distance for financing or financings for which
6 Commission authorization is not needed?

7 A. Well, the -- a financing plan, you know,
8 is made up of a number of different components. A
9 company can issue common equity, it can issue
10 long-term debt securities, it can issue hybrid
11 securities that have characteristics of equity and
12 debt. There are a number of different things that
13 can comprise that -- that plan.

14 Some of those components may fall under
15 the -- under the purview of a long-term financing
16 authorization for Kansas City Power & Light that
17 would need to be approved by the Commission. We have
18 a relatively new financing authorization in place
19 that was granted in February. Some of the -- the
20 debt that would be issued pursuant to this reforecast
21 would fall under that -- under that authorization.

22 Obviously, additional equity issued by
23 Great Plains Energy would not require a financing
24 authorization from the Commission.

25 Q. You mentioned that KCPL has a new debt

1 authorization from the -- from the Commission as of
2 February of this year. Would that be Case
3 No. EF-2008-0214, if you know?

4 A. I believe that's right.

5 Q. Okay. Let me -- let me hand you a copy
6 of an order approving financing in Case
7 No. EF-2008-0214, issue date of February 14, 2008,
8 effective date February 24, 2008, and see if you can
9 identify that.

10 MR. ZOBRIST: Judge, I'll -- if
11 Mr. Dottheim represents he's read that correctly,
12 I'll accept that.

13 MR. DOTTHEIM: Well, let me just, out
14 of -- out of an ounce of caution, hand it to
15 Mr. Cline because I have some questions I'd like to
16 ask him.

17 JUDGE STEARLEY: Very well.

18 BY MR. DOTTHEIM:

19 Q. (Mr. Dottheim handed the witness the
20 document.)

21 A. Yes.

22 Q. Mr. Cline, is that the case you
23 previously referred to?

24 A. Yes.

25 Q. And could you provide a little

1 background respecting that -- that -- that financing
2 that was authorized in that case?

3 A. Sure. We had originally received -- we,
4 KCPL, had originally received in 2005 a financing
5 authorization in the amount of \$635 million for
6 issuance of long-term debt, and that was designed,
7 you know, based on the financing plan at the time to
8 meet the long-term debt requirements of Kansas City
9 Power & Light over the term of the comprehensive
10 energy plan.

11 As we have moved down the path of
12 execution of the -- of the plan, we actually utilized
13 the available -- the initially available capacity
14 under that authorization more quickly than we had
15 thought, and we used 500 million of it essentially in
16 2005 and 2006. And as we looked at the experience to
17 date and looked at projected capital needs in the
18 future last fall, it became clear that we were going
19 to need additional financing authorization from the
20 Commission in order to complete the plan.

21 And that was the purpose behind the
22 request that we filed at the end of September and
23 upon which the Commission issued an order for an
24 increase from 635 million to 1.4 billion through
25 December 31st of '09.

1 Q. Okay. You mentioned a -- a financing or
2 financing plan relating to the Kansas City Power &
3 Light comprehensive energy plan?

4 A. Yes.

5 Q. And that was relating to the -- as some
6 refer to it, the Kansas City Power & Light regulatory
7 plan which includes the Iatan 2 and the Iatan 1
8 projects?

9 A. Yes, that's correct.

10 Q. And also the LaCygne 1 environmental
11 upgrades?

12 A. Yes.

13 Q. And there was a financing case that
14 occurred subsequent to the KCPL regulatory plan case?

15 A. Yes.

16 MR. DOTTHEIM: Okay. I'm going to -- if
17 I may approach the witness?

18 JUDGE STEARLEY: You may.

19 BY MR. DOTTHEIM:

20 Q. I'm going to hand you a document that
21 I'd like for you to take a look at.

22 JUDGE STEARLEY: Is this an exhibit
23 that's already in the record?

24 MR. DOTTHEIM: No, not at the moment.

25 BY MR. DOTTHEIM:

1 Q. Mr. Cline, I've handed to you a document
2 that -- it's a multipage document that has on its
3 cover page a Kansas City Power & Light logo and the
4 wording "Missouri Public Service Commission Financing
5 Authority Application, December 19, 2007." Do you
6 recognize that document?

7 A. Yes, I do.

8 Q. Can you identify it?

9 A. Yes. This is a presentation that I
10 prepared for advance discussion -- when I say
11 "advance," it means prior to filing of the
12 application -- with parties to the original CEP
13 letting them know that we were going to be coming
14 back for additional authorization for long-term debt.

15 Q. And this presentation, was this relating
16 to Case No. EF-2008-0214?

17 A. Yes. We hadn't filed the application
18 yet.

19 Q. Okay. And if -- I'd like -- the pages
20 aren't -- aren't numbered, but I'd like to ask you to
21 turn to page numbered 4, I believe it is.

22 A. Yes.

23 Q. And I'd like to ask you a number of
24 questions in reference to that -- that page. But
25 under the -- the KCPL regulatory plan, was GPE

1 expected to contribute equity into KCPL?

2 A. Yes.

3 Q. Do you remember how much equity GPE was
4 expected to contribute into KCPL?

5

6

7 Q. Do you recognize that number? Does that
8 appear correct or ...

9 A. I'm sure -- I'm sure it is, but --

10 Q. Yeah, I mean, this is your -- you're
11 looking at your own document that you prepared,
12 correct?

13 A. Yeah, I'm -- I'm sure it's correct.

14

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1 A. Yes.

2 Q. Do you recall how much GPE contributed
3 in 2007?

4 A. Yeah, I would be -- I don't recall
5 exactly.

6 Q. If you don't -- if you don't recall
7 that --

8 A. No, I don't recall exactly.

9 Q. -- don't speculate or guess.

10 A. No, I don't recall exactly.

11 [REDACTED]

12 [REDACTED]

13 [REDACTED]

14 [REDACTED]

15 [REDACTED]

16 [REDACTED]

17 [REDACTED]

18 [REDACTED]

19 [REDACTED]

20 Q. Okay. Could you tell us how much more?

21 A. Again, I don't have the specific numbers
22 with me, but a significant portion of the proceeds
23 from Strategic Energy, for example, will be
24 contributed.

25 [REDACTED]

1 [REDACTED]
2 [REDACTED]
3 [REDACTED] [REDACTED]
4 [REDACTED]
5 [REDACTED] 1
6 [REDACTED]
7 [REDACTED] [REDACTED]
8 [REDACTED]
9 [REDACTED]
10 A. No.
11 Q. What is that related to?
12 A. It's related to just additional capital
13 expenditures at KCP&L.
14 Q. Okay.
15 A. Compared to this original forecast.
16 Q. Will GPE need to contribute equity to
17 Aquila in 2008 in the event that GPE is authorized to
18 acquire Aquila?
19 A. I don't recall if there is specific
20 plans to contribute equity to Aquila. You know,
21 we --
22 Q. Yeah, or any capital?
23 A. I -- again, I don't recall the specific
24 plan there as far as contributions to Aquila.
25 [REDACTED] [REDACTED]

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Q. And the reason for that will be?

7

A. Higher capital expenditures in 2009 for

8

KCPL than projected.

9

Q. Okay. Thank you. I don't think I need

10 to have you refer to that document any further.

11

MR. DOTTHEIM: One moment, please, and

12

I'll see if I think we need to remain in-camera or

13

whether we can come on out into the sunlight. I

14

think we can come out from in-camera.

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(WHEREUPON, the in-camera portion of

16

Michael Cline's testimony was concluded.)

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