

1 time for the other electric companies in this state?

2 A. No. I'm sorry. I don't.

3 Q. Okay. Is the Staff suggesting that a  
4 similar deal would be acceptable for UtiliCorp in this  
5 case, a Union Electric-type incentive plan?

6 A. Well, we had a prehearing in this -- in this  
7 proceeding, and we had no discussions whatsoever about  
8 settling this case.

9 Q. Well, I understand that. That wasn't the  
10 question.

11 A. And I don't know --

12 Q. That wasn't my question.

13 A. I don't know how to answer your question,  
14 because we can't impose an incentive plan on the  
15 utility.

16 Q. That wasn't my questions.

17 A. I don't think it -- it would be Staff's role  
18 in this -- in this proceeding to come up with an  
19 alternative regulatory plan to the Company's  
20 regulatory plan.

21 Q. Well, that really wasn't my question.

22 My question was, you suggested in response  
23 to a question from the Bench that other companies had  
24 found a way around this problem of direct premium  
25 recovery, and you cited the UE incentive plan as an

1 example.

2 And my question is, is that something that  
3 the Staff thinks ought to be explored here?

4 A. I think my response was to Commissioner  
5 Murray's question, is there another way to do it  
6 besides a moratorium. That was another way that Union  
7 Electric and the parties at that particular time  
8 decided to do it.

9 Q. But it's not something you would be  
10 interested in doing today, or you don't have a  
11 position on it?

12 A. I don't have a position because it wasn't on  
13 the table.

14 Q. That's fine.

15 A. And I'm not -- I'm not high enough in the  
16 Staff level to be able to make that commitment.

17 Q. You mentioned you could make a case for  
18 direct recovery of acquisition premium through rates  
19 in a situation involving what you called a troubled  
20 utility. How would you define a troubled utility?

21 A. Well, I know I said that it wasn't St. Joe  
22 Light & Power.

23 I think they are utilities that have a lot  
24 of plant investment that needs -- that may need  
25 replacing, replacement, and, particularly, in a lot of

1 the water companies.

2 Q. Are you talking about Missouri  
3 jurisdictional?

4 A. I'm talking about in general.

5 Q. Okay.

6 A. And there have been instances where utility  
7 commissions have felt that it was in the best interest  
8 of the public, the public was served by promoting  
9 consolidations or an acquisition of particular  
10 companies who have steep financing costs or difficulty  
11 in raising capital for those improvements.

12 Q. Okay.

13 A. That kind of instance.

14 Q. Okay. Finally, you mentioned at the time  
15 the -- that Western Resources sold its gas properties  
16 in Missouri to Southern Union Company, which is now  
17 referred to as Missouri Gas Energy, that a moratorium  
18 was put in place?

19 A. Yeah. I think it was for three years.

20 Q. Okay. And am I correct in understanding  
21 that that moratorium came on the heels of a rate  
22 increase for those same gas properties, or is that  
23 something you just don't remember?

24 A. No. You're testing my memory. I think --  
25 I'm trying to just recall here for a moment.

1 I believe there was -- that was a 1993  
2 case, as I recall, and I believe there was a 1993 --  
3 the company then called itself Western Resources and  
4 is now Western Resources. It was Kansas Power &  
5 Light.

6 I believe they had a '93 rate case that was  
7 stipulated to in the fall of that year.

8 Q. And then that merger that you referred to,  
9 or the acquisition, or whatever you called it, when  
10 Southern Union acquired those gas properties was later  
11 on that year?

12 A. That was a situation where it was really a  
13 divestiture. It was Western Resources divesting  
14 itself of the Missouri properties, or the old Gas  
15 Service system.

16 Q. And it was later that same year; is that  
17 correct?

18 A. We -- it was fourth quarter '93, and I  
19 think they closed, it seems like I want to recall,  
20 February 1 of 1994.

21 MR. SWEARENGEN: Thank you.

22 That's all I have.

23 THE WITNESS: Thank you.

24 JUDGE WOODRUFF: St. Joseph?

25 MR. COMLEY: No questions.

1 JUDGE WOODRUFF: Redirect?

2 MR. DOTTHEIM: Yes.

3 REDIRECT EXAMINATION BY MR. DOTTHEIM:

4 Q. Mr. Featherstone, you've been asked about  
5 any number of other merger cases for the Commission in  
6 the last decade or even beyond -- beyond that. In  
7 those other cases, the Kansas City Power & Light/  
8 Western Resources merger, the Union Electric Company/  
9 CIPSCO merger, any of the other cases that you might  
10 recall, in those cases did the Staff find that merger  
11 savings exceeded merger costs without consideration of  
12 a merger premium?

13 A. Yes.

14 Q. Is the Staff's view respecting the use of a  
15 moratorium affected in any manner by the Staff's  
16 determination that merger savings do not exceed merger  
17 costs without even considering the merger premium?

18 A. Yes. I mean, if you have a situation where  
19 the cost exceeds the savings, then you shouldn't do  
20 the merger.

21 Q. From the -- again, going back and following  
22 up on questions that you have been asked regarding  
23 other mergers and also in particular being asked  
24 about moratoriums, would a moratorium for UtiliCorp,  
25 St. Joseph Light & Power, minus the other elements of

1 the UtiliCorp/St. Joseph Light & Power regulatory plan  
2 address the Staff's concerns regarding merger costs  
3 exceeding merger savings without consideration of the  
4 acquisition adjustment?

5 A. No. I think I said that there were other  
6 factors. There was one particular issue that came to  
7 mind and maybe others, but there was one particular  
8 issue, the pension benefits issue, that there were  
9 other aspects about the Company's merger application  
10 that would have to be addressed, not just the  
11 acquisition adjustment or the moratorium.

12 Q. Also from the Staff's perspective, it's  
13 evaluation that merger costs exceed merger savings  
14 without consideration of the merger premium?

15 A. Could you repeat your question?

16 Q. Would -- in addition to those other items  
17 that you identified that you believe would need to be  
18 addressed, is it the Staff's view that merger costs  
19 exceeding merger savings without consideration of the  
20 merger premium is an item that would still need to be  
21 addressed?

22 A. Yes.

23 Q. Could you identify what type of merger was  
24 the UE/CIPSCO merger?

25 A. Are you talking about how was it accounted

1 for?

2 Q. Yes. How was that -- how was that merger  
3 accounted for?

4 A. It was a pooling of interest.

5 Q. It was not a purchase transaction, was it?

6 A. No, no.

7 Q. The fact that it was a pooling of interest  
8 transaction, was that a factor in the Staff's  
9 resolution of that merger case?

10 A. Well, it made it easier to address because a  
11 pooling of interest is not an acquisition trust. An  
12 acquisition trust merger represents a drain on  
13 earnings for the amortization period. In this case  
14 it's being proposed for four years, so if you have a  
15 four-year amortization, then you're always going to  
16 have that drain on earnings.

17 And so for Union Electric it was much easier  
18 for them, I think, to look at from their point of view  
19 because it was a pooling and it didn't have that drain  
20 on earnings.

21 MR. DOTTHEIM: Thank you.

22 JUDGE WOODRUFF: Thank you.

23 And, Mr. Featherstone, you can step down.

24 I believe the next item on the list is  
25 Hyneman.

1 MR. DOTTHEIM: Yes. The Staff calls Charles  
2 Hyneman to the stand.

3 JUDGE WOODRUFF: Please raise your right  
4 hand.

5 (Witness sworn.)

6 MR. DOTTHEIM: I'm going to hand to the  
7 court reporter three copies of what has been premarked  
8 Exhibits 707-HC, highly confidential, and 707,  
9 non-proprietary.

10 (EXHIBIT NOS. 707-NP AND 707-HC WERE MARKED  
11 FOR IDENTIFICATION.)

12 JUDGE WOODRUFF: Proceed.

13 CHARLES R. HYNEMAN testified as follows:

14 DIRECT EXAMINATION BY MR. DOTTHEIM:

15 Q. Mr. Hyneman, do you have a copy of what have  
16 been premarked Exhibits 707-HC and -NP, which is your  
17 Rebuttal Testimony in this proceeding?

18 A. Yes.

19 Q. Mr. Hyneman, do you have any corrections to  
20 make to your testimony at this time?

21 A. Yes, I have one minor change.

22 It's on Page 66, Line 21. The last word,  
23 delete the word "only." And on Line 22, delete the  
24 first two words, which are "half of." That's all of  
25 the changes I have.



1 MR. DOTTHEIM: At this time I would offer  
2 Exhibit 707-HC and 707 non proprietary, and tender  
3 Mr. Hyneman for cross-examination.

4 I believe this is the only issue -- no. I  
5 take that back. I am mistaken. He also has testimony  
6 on taxes, and that is still listed as an issue, so  
7 Mr. Hyneman still is scheduled to come back.

8 JUDGE WOODRUFF: Okay. The exhibits are  
9 offered then. And he's been tendered for  
10 cross-examination, so we'll begin with Department of  
11 Natural Resources?

12 MS. WOODS: Nothing, Judge.

13 JUDGE WOODRUFF: AgP?

14 MR. CONRAD: No questions, your Honor.

15 JUDGE WOODRUFF: City of Springfield is not  
16 present.

17 Public Counsel?

18 MR. MICHEEL: No questions.

19 JUDGE WOODRUFF: Union Electric is not  
20 present.

21 UtiliCorp?

22 MR. COMLEY: He has no questions.

23 JUDGE WOODRUFF: Okay. Does St. Joseph  
24 Light & Power have any questions?

25 MR. COMLEY: He has no questions either.

1 JUDGE WOODRUFF: Okay. Questions from the  
2 Bench then. Commissioner Murray?

3 COMMISSIONER MURRAY: Thank you.

4 QUESTIONS BY COMMISSIONER MURRAY:

5 Q. Mr. Hyneman, I assume that if we're dealing  
6 with the acquisition adjustment here in this part of  
7 your testimony that this is a good time to talk about  
8 the structure between pooling and purchase --

9 A. Yes.

10 Q. -- accounting methods?

11 A. Yes, it is.

12 Q. And that is where I need a great deal of  
13 help in trying to understand this issue.

14 A. Yes.

15 Q. In reading your testimony on Page 4 when you  
16 talked about the term merger premium down at Line 18,  
17 and the meanings that it would have, you say, "When  
18 used in the Staff testimony in this proceeding, the  
19 term 'merger premium' means the purchase price in  
20 excess of the book value of the net assets acquired."

21 But this being structured as a purchase  
22 accounting agreement, are you using the definition for  
23 pooling even though this is structured as a purchase  
24 account?

25 A. No, Commissioner. The term merger premium,

1 it primarily means the purchase price in excess of the  
2 current market value, but it also can be referred to  
3 in merger cases with utility companies, the purchase  
4 price in excess of the book value, which is also the  
5 acquisition adjustment. So it's just used  
6 synonymously, and I just want to clarify that, that  
7 the merger premium, we're talking about the  
8 acquisition adjustment also, not just the piece of the  
9 purchase price over the market value.

10 Q. Okay. Let me see if I can get this  
11 organized enough to ask my questions appropriately.

12 Well, on Page 10 at Lines 11 through 14 you  
13 speak about, "Under purchase accounting the ratepayers  
14 suffer because the recovery of an acquisition  
15 adjustment in rates will leave them higher rates than  
16 would be the case under a pooling interest account."

17 I guess what I need is an explanation as to  
18 why that is the case.

19 A. Okay. Under purchase accounting, there is  
20 an acquisition adjustment created when the company  
21 pays in excess of the book value. That acquisition  
22 adjustment has an asset on the balance sheet that  
23 creates a revenue requirement for the utility. They  
24 often need to earn a return on it and a return of it  
25 through an amortization.

1           If that is recognized in rates directly,  
2 then rates will be higher than if it was not  
3 recognized. If it is recognized -- or if it is in  
4 rates indirectly, the Company would have to recover  
5 that, and, therefore, their costs would be higher than  
6 otherwise would be the case. If they accomplish the  
7 merger through a pooling, there would be no such cost  
8 to recover. The cost does not exist.

9           Q.     Okay. I'll go to your testimony under the  
10 accounting for the purchase. It begins at Line 33.

11          A.     What page, ma'am?

12          Q.     I mean, it begins at Page 33, but I'm  
13 actually wanting to go over to Page 37 --

14          A.     Okay.

15          Q.     -- where you talk about -- and I guess this  
16 is for another time, is that correct, where you're  
17 talking about taxes?

18          A.     No. This -- this is part of the acquisition  
19 adjustment.

20          Q.     Okay. You say that UtiliCorp has structured  
21 the acquisition to be tax-free to its shareholders.  
22 And I'm wondering there if -- if what you're saying is  
23 that it has been structured in such a way to sort of  
24 allow it to have its cake and eat it too, if you can  
25 use a phrase like that to describe it, in that it's

1    been structured as a purchase agreement, but it's also  
2    been structured as tax-free in order to get around the  
3    non-deductibility that would normally be with a  
4    purchase agreement?

5       A.     Well, the Company's -- UtiliCorp, who  
6    structured the merger agreement, structured it to meet  
7    the IRS requirements that it would not be taxable to  
8    its shareholders or the Company. So the merger was  
9    structured on that.

10           And it was also structured originally to be  
11   a pooling, but later on UtiliCorp determined that  
12   either they would not or could not pool. But it was  
13   structured so its shareholders would not pay a tax, a  
14   capital gains, on the transaction or -- and St. Joe  
15   Light & Power shareholders would not pay a tax on the  
16   transaction.

17       Q.     Okay. Maybe I have it reversed, but is the  
18   tax-free treatment normally available in a purchase  
19   accounting?

20       A.     The tax-free treatment, the IRS has its  
21   separate requirements, and I think I explained one of  
22   them is a continuity of interest, that, you know,  
23   maybe it's a -- at least -- and I don't want to get  
24   into the specifics, but 50 percent stock in the  
25   transaction.

1           So if there is a lot of stock in the  
2 transaction, it meets an IRS requirement not to be a  
3 reorganization as opposed to a purchase of assets. So  
4 UtiliCorp structured it to meet the IRS requirement  
5 that it not be taxable to its shareholders and because  
6 of that -- because it's not a taxable transaction, and  
7 that the acquisition adjustment is not a tax-  
8 deductible expense because the -- for the tax basis,  
9 it would not be changed for the assets.

10          Q.     Okay. And that was when they were  
11 structuring it as a pooling accounting; is that right?

12          A.     The two are independent. The tax treatment  
13 and the pooling are independent of each other.

14          Q.     Okay. There is no relationship?

15          A.     No.

16                COMMISSIONER MURRAY: Okay. That's where I  
17 was confused.

18                I believe that's all on this issue. Thank  
19 you.

20                JUDGE WOODRUFF: Commissioner Simmons?

21                COMMISSIONER SIMMONS: No questions, your  
22 Honor.

23                JUDGE WOODRUFF: I have no questions.

24                Back for recross then, starting with Natural  
25 Resources.

1 MS. WOODS: Nothing. Thank you.  
2 JUDGE WOODRUFF: AgP?  
3 MR. CONRAD: No questions. Thank you.  
4 JUDGE WOODRUFF: Springfield is not here.  
5 Public Counsel?  
6 MR. MICHEEL: No.  
7 JUDGE WOODRUFF: Union Electric is not here.  
8 UtiliCorp?  
9 MR. SWEARENGEN: No questions.  
10 JUDGE WOODRUFF: St. Joseph Light & Power?  
11 MR. COMLEY: No questions.  
12 JUDGE WOODRUFF: Any redirect?  
13 MR. DOTTHEIM: No redirect.  
14 JUDGE WOODRUFF: Mr. Hyneman, you may step  
15 down.  
16 We've reach a good time to take a break.  
17 We'll come back at 3:00.  
18 (A recess was taken.)  
19 JUDGE WOODRUFF: I believe the next witness  
20 on the list is Janis Fischer.  
21 MR. WILLIAMS: Nathan Williams for Staff.  
22 I'll call Janis Fischer to the stand.  
23 JUDGE WOODRUFF: Thank you.  
24 MR. WILLIAMS: May the record reflect that  
25 I'm handing the court reporter what's been marked as

1 Exhibit 705, which is the Rebuttal Testimony of Janis  
2 Fischer, both non proprietary and HC. There are three  
3 copies of each.

4 (EXHIBIT NOS. 705-NP AND 705-HC WERE MARKED  
5 FOR IDENTIFICATION.)

6 JUDGE WOODRUFF: I've got you standing over  
7 there. Please raise your right hand.

8 (Witness sworn.)

9 JUDGE WOODRUFF: Thank you.

10 You may sit down.

11 You may proceed.

12 JANIS E. FISCHER testified as follows:

13 DIRECT EXAMINATION BY MR. WILLIAMS:

14 Q. Would you state your name?

15 A. Janis E. Fischer.

16 Q. Do you have any revisions to your Rebuttal  
17 Testimony that's been premarked as Exhibit 705?

18 A. No, I do not.

19 Q. Does that exhibit contain some confidential  
20 information?

21 A. Yes, it does.

22 Q. Does your testimony regarding acquisition  
23 adjustment appear on Pages 59 through 78 of that  
24 testimony?

25 A. Yes, it does.



1 Q. Is there any confidential information  
2 contained in those pages?

3 A. No, there is not.

4 Q. Are you going to appear later in this  
5 proceeding regarding other issues in this case?

6 A. Yes, I am.

7 MR. WILLIAMS: I offer Exhibit 705 at this  
8 time, and tender the witness.

9 JUDGE WOODRUFF: Okay. As she will be  
10 testifying later on, I'm not going to ask for any  
11 objections at this point.

12 All right. She has been tendered for  
13 cross-examination, so we will begin with Department of  
14 Natural Resources?

15 MS. WOODS: I have nothing. Thank you.

16 JUDGE WOODRUFF: AgP?

17 MR. CONRAD: Nothing, your Honor. Thank  
18 you.

19 JUDGE WOODRUFF: City of Springfield is not  
20 here.

21 Public Counsel?

22 MR. MICHEEL: Nothing for this witness on  
23 this issue, your Honor.

24 JUDGE WOODRUFF: Union Electric is not here.  
25 UtiliCorp?

1 MR. SWEARENGEN: No questions. Thank you.  
2 JUDGE WOODRUFF: St. Joseph Light & Power?  
3 MR. COMLEY: No questions.  
4 JUDGE WOODRUFF: Questions from the Bench.  
5 Chair Lumpe.  
6 CHAIR LUMPE: I have no questions.  
7 JUDGE WOODRUFF: And I have no questions, so  
8 no recross, and I presume no redirect.  
9 You may step down.  
10 THE WITNESS: Thank you.  
11 MR. KRUEGER: Staff calls David Broadwater.  
12 JUDGE WOODRUFF: Thank you.  
13 Please raise your right hand.  
14 (Witness sworn.)  
15 JUDGE WOODRUFF: You may sit down, please.  
16 Proceed.  
17 MR. KRUEGER: Your Honor, I've handed the  
18 reporter Exhibits marked 703 and 703-HC, and also two  
19 exhibits which have not been prefiled, one entitled,  
20 Replacement Pages for Rebuttal Testimony of David P  
21 Broadwater, to be marked, and that's an NP version.  
22 And the other, Replacement Pages for Rebuttal  
23 Testimony of David P. Broadwater, HC version.  
24 (EXHIBIT NOS. 703-HC AND 703-NP AND 724 AND  
25 724-HC WERE MARKED FOR IDENTIFICATION.)

1 DAVID P. BROADWATER testified as follows:

2 DIRECT EXAMINATION BY MR. KRUEGER:

3 Q. Mr. Broadwater, do you have any corrections  
4 or additions to make to your prefiled Rebuttal  
5 Testimony in this case?

6 A. Yes. There are prepared replacement pages.  
7 I believe there are eight pages that contain changes  
8 in four schedules.

9 Q. And have those -- are those pages entitled  
10 "Replacement Pages to Rebuttal Testimony of David P.  
11 Broadwater," which I've just now handed the reporter?

12 A. Yes, they are.

13 Q. Would you briefly describe the changes that  
14 are indicated on those replacement pages?

15 A. There are three basic changes. First of  
16 all, in the cost of -- the cost of capital analysis, I  
17 did -- I changed the -- there was a mistake in my  
18 weighted cost of debt calculation, and I made the  
19 change for that, and also a change in the dollar  
20 amount of short-term debt included in the capital  
21 structure -- excuse me -- and I changed the schedules  
22 where those numbers appeared and every place in my  
23 testimony where those numbers corresponded to.

24 And also on the acquisition adjustment  
25 issue, Schedule No. 23, I changed the discount rates

1 that I used because I -- again, because of an error  
2 and replaced that schedule in its entirety in the  
3 places where the schedules refer to the numbers, and a  
4 few words to make it correct.

5 Q. So in the text of the replacement pages you  
6 have indicated by red lettering the changes that have  
7 been made from the testimony as was prefiled; is that  
8 correct?

9 A. Yes. The changes are -- all of the changes  
10 are in red, and where I deleted any words they are --  
11 there is a line through them, and they are still in  
12 red.

13 Q. And the schedules at the back of these  
14 replacement pages are just replacement schedules with  
15 many changes; is that correct?

16 A. Correct.

17 Q. As amended by the changes indicated on your  
18 replacement pages, are all of the answers in your  
19 Rebuttal Testimony true and correct?

20 A. Yes.

21 Q. Now, your testimony regarding acquisition  
22 adjustments is at Pages 37 to 51 of your Rebuttal  
23 Testimony; is that right?

24 A. Yes.

25 MR. KRUEGER: Your Honor, I'd offer Exhibits

1 703 and 703-HC, and the replacement pages. I'm not  
2 sure of the number.

3 JUDGE WOODRUFF: They would be 724-NP and  
4 724-HC, the replacement pages.

5 MR. KRUEGER: I would offer those exhibits,  
6 and tender Mr. Broadwater for cross-examination.

7 JUDGE WOODRUFF: Okay. And Mr. Broadwater  
8 will be back later --

9 MR. KRUEGER: Yes, he will, your Honor.

10 JUDGE WOODRUFF: -- on other issues?

11 Okay. Mr. Broadwater has been tendered for  
12 cross-examination, so we will begin with Natural  
13 Resources?

14 MS. WOODS: Nothing. Thank you.

15 JUDGE WOODRUFF: AgP?

16 MR. CONRAD: No questions, your Honor.  
17 Thank you.

18 JUDGE WOODRUFF: City of Springfield is not  
19 present.

20 Public Counsel?

21 MR. MICHEEL: No questions on this issue at  
22 this time.

23 JUDGE WOODRUFF: And Union Electric is not  
24 president -- not present.

25 UtiliCorp?

1 MR. SWEARENGEN: UtiliCorp has no questions.

2 JUDGE WOODRUFF: Okay. St. Joseph Light &  
3 Power?

4 MR. COMLEY: Just a few. Thank you.

5 CROSS-EXAMINATION BY MR. COMLEY:

6 Q. Mr. Broadwater, would you agree with me that  
7 St. Joseph Light & Power solicited expressions of  
8 interest for its company in, say, October of 1998, in  
9 that time frame?

10 A. Yes.

11 Q. And as a result of soliciting interest in  
12 the company, there were three out of a list of  
13 possible partners that responded to the expression of  
14 interest?

15 A. Yes, it's my understanding that there were  
16 three initial bids presented to the Company.

17 Q. And those three bids were first considered  
18 by the Company sometime in January of 1999?

19 A. That's my recollection of the time frame. I  
20 don't have it in front of me, but that's in the ball  
21 park of what I remember.

22 Q. And would you agree with me that there were  
23 proposals given by the three interested parties to  
24 St. Joseph, preliminary proposals, very shortly after  
25 that?

1           A.     Yes.

2           Q.     And ultimately St. Joseph Light & Power  
3 received final binding proposals from those three  
4 bidders. Correct.

5           A.     I believe they only received binding bids  
6 from two of the three bidders.

7           Q.     All right. They started out with three, and  
8 then two delivered final binding proposals?

9           A.     Yes, that's my understanding.

10          Q.     And one of those was UtiliCorp United?

11          A.     Correct.

12          Q.     And UtiliCorp United offered a per-value  
13 share of \$22.50 in a final binding proposal?

14          A.     That was -- yes.

15          Q.     And then after Morgan Stanley visited with  
16 UtiliCorp, it agreed to increase its value to \$23 per  
17 share?

18          A.     Yes, that's roughly my understanding of the  
19 way the transaction proceeded.

20                 MR. COMLEY: I have no other questions.

21                 JUDGE WOODRUFF: We'll move to questions  
22 from the Bench. Chair Lumpe?

23                 CHAIR LUMPE: I have no questions of this  
24 witness.

25                 JUDGE WOODRUFF: Okay. Commissioner

1 Schemenauer?

2 COMMISSIONER SCHEMENAUER: No questions,  
3 your Honor.

4 JUDGE WOODRUFF: Commissioner Simmons?

5 COMMISSIONER SIMMONS: No questions.

6 JUDGE WOODRUFF: There was no questions from  
7 the Bench, so there is no need for recross.

8 Redirect?

9 MR. KRUEGER: No questions, your Honor.

10 JUDGE WOODRUFF: Mr. Broadwater, you may  
11 step down.

12 THE WITNESS: Thank you.

13 JUDGE WOODRUFF: You have previously been  
14 sworn, so you're still under oath.

15 MR. DOTTHEIM: The Staff tenders Michael S.  
16 Proctor for cross-examination on the issue of  
17 acquisition adjustment.

18 JUDGE WOODRUFF: Okay. Starting again then  
19 with Natural Resources?

20 MS. WOODS: Nothing. Thank you.

21 JUDGE WOODRUFF: AgP?

22 MR. CONRAD: Your Honor, I just have one,  
23 possibly two questions, depending on how the witness  
24 answers, that pertain to some matters that have been  
25 kicked to him by a couple of other witnesses --



1 JUDGE WOODRUFF: Okay. Go ahead.

2 MR. CONRAD: -- if I might go ahead with  
3 that.

4 MICHAEL S. PROCTOR, Ph.D., being previously sworn,  
5 testified as follows:

6 CROSS-EXAMINATION BY MR. CONRAD:

7 Q. Dr. Proctor, the Company increased -- or  
8 UtiliCorp increased the bid, and the final bid was \$23  
9 per share. The amount that the St. Joe shareholders  
10 would have received, at least based on the market  
11 price of the shares at that point in time, has been  
12 calculated by some other people to be about a 36  
13 percent premium so far. Correct?

14 A. Yes.

15 Q. Can you turn that slice, the difference  
16 between the \$23 and what the market price of the end  
17 share was, can you turn that into a total number of  
18 dollars for me?

19 A. Yes. That's on page -- excuse me -- Page 6  
20 of my Rebuttal Testimony. It's at Lines 19 and 20,  
21 Component 2 that's label "Acquisition Payment minus  
22 market value," and it looks at the difference between  
23 at \$23 share and market value of 17 dollars and  
24 12 1/2 cents a share over approximately 8.2 million  
25 shares produces a difference of \$48.2 million.

1 Q. Now, while you're certainly not here as a  
2 tax accountant, at least as you understand the  
3 process, what the individual shareholders of St. Joe  
4 that might -- might have gained would be more or less  
5 than that differential depending on what their basis  
6 in the shares was?

7 A. Correct.

8 Q. But the 17 -- I guess would be seventeen and  
9 an eighth, wouldn't it?

10 A. What would be seventeen and a --

11 Q. The market price 17.125 --

12 A. Right.

13 Q. -- that's seventeen and an eighth on the  
14 market the way that's in fraction.

15 A. Okay.

16 Q. That would probably -- well, I guess it  
17 would represent what the price of the company was in  
18 the market at that point in time?

19 A. At that point in time. Correct.

20 MR. CONRAD: Thank you.

21 JUDGE WOODRUFF: All right. City of  
22 Springfield is not here.

23 Public Counsel?

24 MR. MICHEEL: No questions on this issue.

25 JUDGE WOODRUFF: Union Electric is not here.

1 UtiliCorp?

2 MR. SWEARENGEN: No questions.

3 JUDGE WOODRUFF: St. Joseph Light & Power?

4 MR. COMLEY: No questions.

5 JUDGE WOODRUFF: All right. Redirect? I'm  
6 sorry. We've got Commission questions. I got ahead  
7 of myself.

8 JUDGE WOODRUFF: Chair Lumpe?

9 CHAIR LUMPE: Just one question.

10 QUESTIONS BY CHAIR LUMPE:

11 Q. Mr. Proctor --

12 A. Yes.

13 Q. -- there was some testimony yesterday that  
14 when the bid was made the price of St. Joe's shares  
15 went down. Would you tell me as of what date this  
16 seventeen and an eighth represents?

17 A. I'm not sure specifically what the date is  
18 or -- and I did not hear that testimony, so the 17 --  
19 seventeen and an eighth is the number that UtiliCorp  
20 reported in its testimony as the market value of  
21 St. Joe, and so that's the number that I used, but I  
22 don't know any of the specifics around that.

23 Q. You don't know if that's the date and  
24 whether that was maybe the bottom or the top --

25 A. Or the top or where it was.

1 Q. -- or average over the year or anything like  
2 that?

3 A. Right.

4 Q. Okay.

5 A. I do not know the answer to that.

6 Q. All right. Thank you.

7 But it would impact that 48 million if it  
8 were lesser or greater?

9 A. It clearly would, yes.

10 CHAIR LUMPE: All right. Thank you.

11 JUDGE WOODRUFF: Commissioner Schemenauer?

12 COMMISSIONER SCHEMENAUER: No questions.

13 JUDGE WOODRUFF: Commissioner Simmons?

14 COMMISSIONER SIMMONS: No questions, your  
15 Honor.

16 JUDGE WOODRUFF: I would ask for recross.  
17 Natural Resources?

18 MS. WOODS: Nothing. Thank you.

19 JUDGE WOODRUFF: AgP?

20 MR. CONRAD: No.

21 JUDGE WOODRUFF: Springfield is not here.  
22 Public Counsel?

23 MR. MICHEEL: No questions.

24 JUDGE WOODRUFF: Union Electric is not here.  
25 UtiliCorp?

1 MR. SWEARENGEN: I have no questions.  
2 JUDGE WOODRUFF: St. Joseph Light & Power?  
3 MR. COMLEY: No questions.  
4 JUDGE WOODRUFF: All right. Now redirect?  
5 MR. DOTTHEIM: No redirect.  
6 JUDGE WOODRUFF: Thank you.  
7 You may step down, Mr. Proctor.  
8 JUDGE WOODRUFF: Ted Robertson has taken the  
9 stand.  
10 And, Mr. Robertson, you are still under  
11 oath.  
12 Proceed with cross-examination?  
13 MR. MICHEEL: I tender Mr. Robertson for  
14 cross, your Honor.  
15 JUDGE WOODRUFF: Thank you very much.  
16 All right. Again, starting with Natural  
17 Resources?  
18 MS. WOODS: I have nothing. Thank you.  
19 JUDGE WOODRUFF: AgP?  
20 MR. CONRAD: No questions.  
21 JUDGE WOODRUFF: City of Springfield is not  
22 here.  
23 Staff?  
24 MR. DOTTHEIM: No questions.  
25 JUDGE WOODRUFF: All right? Union Electric

1 it not here.

2 UtiliCorp? He just walked out the door.

3 MR. COMLEY: I don't think he has any  
4 questions.

5 JUDGE WOODRUFF: Okay. St. Joseph?

6 MR. COMLEY: I have no questions.

7 JUDGE WOODRUFF: Okay. And then up to the  
8 Bench. Chair Lumpe?

9 CHAIR LUMPE: No questions.

10 JUDGE WOODRUFF: All right. Commissioner  
11 Schemenauer?

12 COMMISSIONER SCHEMENAUER: No questions.

13 JUDGE WOODRUFF: Commissioner Simmons?

14 COMMISSIONER SIMMONS: No questions.

15 JUDGE WOODRUFF: All right. So no recross.  
16 Any redirect? No redirect?

17 MR. MICHEEL: There were no questions. I  
18 would be happy to ask him a few, but I don't think I  
19 can.

20 JUDGE WOODRUFF: All right. Thank you.

21 You may step down.

22 Mr. Kind, you've also testified previously.

23 THE WITNESS: Yes.

24 JUDGE WOODRUFF: You are still under oath.

25 THE WITNESS: Yes.

1 MR. MICHEEL: I would tender Mr. Kind for  
2 any cross.

3 JUDGE WOODRUFF: Okay. And just so the  
4 record is clear, Ryan Kind has taken the stand.

5 Okay. Again, beginning with Natural  
6 Resources?

7 MS. WOODS: I have nothing. Thank you.

8 JUDGE WOODRUFF: AgP?

9 MR. CONRAD: No questions.

10 JUDGE WOODRUFF: Springfield is not here.  
11 Staff?

12 MR. DOTTHEIM: No questions.

13 JUDGE WOODRUFF: Union Electric is not here.  
14 UtiliCorp?

15 MR. SWEARENGEN: No questions.

16 JUDGE WOODRUFF: St. Joseph Light & Power?

17 MR. COMLEY: No questions.

18 JUDGE WOODRUFF: Coming up to the Bench,  
19 Chair Lumpe?

20 CHAIR LUMPE: No questions.

21 JUDGE WOODRUFF: Commissioner Schemenauer?

22 COMMISSIONER SCHEMENAUER: No questions.

23 JUDGE WOODRUFF: Commissioner Simmons?

24 COMMISSIONER SIMMONS: No questions.

25 JUDGE WOODRUFF: All right. No recross and

1 no redirect. We're flying right along.

2 I believe that completes the acquisition  
3 adjustment issue then, and I believe that brings us up  
4 to frozen capital structure, which would be  
5 Mr. McKinney.

6 MR. SWEARENGEN: The witness for all  
7 seasons, Mr. McKinney. Here he is.

8 JUDGE WOODRUFF: Yes. John McKinney has  
9 taken the stand.

10 And you are still under other, sir.

11 THE WITNESS: Thank you.

12 MR. SWEARENGEN: I tender Mr. McKinney for  
13 cross-examination on the issue of frozen capital  
14 structure.

15 JUDGE WOODRUFF: Thank you very much.

16 St. Joseph Light & Power?

17 MR. COMLEY: No questions.

18 JUDGE WOODRUFF: Okay. Union Electric is  
19 not here.

20 Natural Resources?

21 MS. WOODS: No questions. Thank you,

22 JUDGE WOODRUFF: AgP?

23 MR. CONRAD: No questions.

24 JUDGE WOODRUFF: City of Springfield is not  
25 here.



1 Public Counsel?

2 MR. MICHEEL: Certainly.

3 JOHN W. MCKINNEY, being previously sworn, testified as  
4 follows:

5 CROSS-EXAMINATION BY MR. MICHEEL:

6 Q. Would you agree with me, Mr. McKinney, that  
7 the proposed regulatory plan would lock in a capital  
8 structure for a period of ten years to use set rates  
9 for the St. Joe Light & Power Division?

10 A. Ten years from the close, yes.

11 Q. And that would be also locking in a 60/40  
12 capital structure as it relates to the assignment of  
13 premium; is that correct?

14 A. That's correct.

15 Q. And then the 53/47 capital structure for the  
16 St. Joe Light & Power Division; is that correct?

17 A. During that five -- second five-year period,  
18 yes.

19 Q. After the post-moratorium rate case?

20 A. That's correct.

21 Q. Would you agree with me, Mr. McKinney, that  
22 the actual capital structures of both UtiliCorp United  
23 and St. Joe Light & Power have changed over the past  
24 ten years?

25 A. Somewhat.

1 Q. Would you agree with me that within the  
2 context of this proceeding that UtiliCorp has not made  
3 any guarantees that the actual capital structure going  
4 forward for either UtiliCorp or -- well, for UtiliCorp  
5 will match the capital structures that are going to be  
6 frozen under your regulatory plan proposal?

7 A. The regulatory plan proposal -- would you  
8 repeat your question? I want to answer your question  
9 first.

10 Q. Sure. My question is, you haven't made any  
11 guarantees -- "you" being UtiliCorp, not you  
12 personally.

13 UtiliCorp hasn't made any guarantees to  
14 freeze their capital structure at the 53/47 that's set  
15 out in the regulatory plan; is that correct?

16 A. No, it has not.

17 Q. And, in fact, during the ten years of the  
18 regulatory plan UtiliCorp hasn't made any guarantees  
19 or commitments to freeze the capital structures; isn't  
20 that correct?

21 A. No, it has not. It could not.

22 Q. Would you agree with me, Mr. McKinney, that  
23 the cost of debt for UtiliCorp United could change  
24 over time?

25 A. I'm sure it will. I agree with you.

1           Q.     Would you agree with me, Mr. McKinney,  
2     that -- assume that UtiliCorp is able to refinance any  
3     portion of its debt at a lower cost during the  
4     regulatory plan, that lower cost would not be  
5     reflected in rates until the end of the ten-year  
6     period; is that correct?

7           A.     I agree under the assumption of lower costs.

8           Q.     Assuming that there was a lower cost of  
9     overall debt than the frozen period in the fifth year  
10    moratorium rate case, making that assumption, that  
11    decrease in debt cost would not be reflected in that  
12    post-moratorium rate case; is that correct?

13          A.     It could be. We're only freezing the  
14    structure, not the costs. We're freezing the ratios  
15    at the hypothetical levels of 53/47. We're not  
16    freezing the costs of debt in that capital structure  
17    or in ours, UtiliCorp's capital structure, just the  
18    ratios.

19          Q.     Is it correct during the two five-year  
20    periods of the regulatory plan there would be no  
21    adjustments to that ratio?

22          A.     During the moratorium period?

23          Q.     Yes.

24          A.     During the mor-- excuse me. During the  
25    moratorium period, it's a freeze and there is no

1 change.

2 MR. MICHEEL: Thank you, Mr. McKinney.

3 THE WITNESS: Thank you.

4 JUDGE WOODRUFF: Staff?

5 MR. KRUEGER: No questions, your Honor.

6 JUDGE WOODRUFF: Coming up to the Bench  
7 then, Chair Lumpe?

8 QUESTIONS BY CHAIR LUMPE:

9 Q. Mr. McKinney, how critical is this freezing  
10 of the capital structure to your regulatory plan?

11 A. It is just one of the components, Chair.  
12 They are all very important to the plan. They all  
13 build to make the deal economical. If we change one  
14 in one direction, we're going to have to change  
15 another one in another direction and come up with a  
16 completely different plan so the total economics work  
17 out the same. So each piece is a component of an  
18 important plan that we've brought to the Commission.

19 Q. So each piece of that is critical, and then  
20 this one is --

21 A. That's correct.

22 Q. -- totally critical in your mind?

23 A. That's correct.

24 CHAIR LUMPE: Thank you.

25 JUDGE WOODRUFF: Commissioner Schemenauer?

1 COMMISSIONER SCHEMENAUER: No questions,  
2 your Honor.

3 JUDGE WOODRUFF: Commissioner Simmons?

4 COMMISSIONER SIMMONS: No questions.

5 JUDGE WOODRUFF: I do have one question.

6 QUESTIONS BY JUDGE WOODRUFF:

7 Q. I wasn't clear on your answer that you gave  
8 to Mr. Micheel.

9 Concerning the -- it concerns the freeze on  
10 capital structure. Does that continue after the  
11 moratorium during that second phase of the plan, the  
12 six to ten years?

13 A. Yes. In the post-moratorium rate case,  
14 we're asking in that rate case that these capital  
15 structures that we've suggested, the hypothetical  
16 53/47, which is a very conservative capital structure,  
17 be used in that rate case for St. Joe Light & Power,  
18 and on the premium component of the rate base,  
19 UtiliCorp's 60/40 capital structure be used on that  
20 one in that rate case.

21 Q. Is part of the plan also that there could  
22 not be any other rate cases after that initial one?

23 A. No. There could be additional rate cases at  
24 any time after that.

25 Q. Okay. If there was a rate case in, say, the

1 seventh year, would they --

2 A. We would like the same capital structure  
3 used during that period too.

4 JUDGE WOODRUFF: Okay. I just wanted to be  
5 clear on that.

6 All right. Then recross beginning with --  
7 beginning with St. Joseph Light & Power.

8 MR. COMLEY: No. No questions.

9 JUDGE WOODRUFF: UE, not here.  
10 Natural Resources?

11 MS. WOODS: Nothing. Thank you.

12 JUDGE WOODRUFF: AgP?

13 MR. CONRAD: No questions.

14 JUDGE WOODRUFF: Springfield is not here.  
15 Public Counsel?

16 MR. MICHEEL: No questions.

17 JUDGE WOODRUFF: Staff?

18 MR. KRUEGER: No questions. Thank you.

19 JUDGE WOODRUFF: Thank you.

20 Any redirect?

21 MR. SWEARENGEN: No redirect.

22 JUDGE WOODRUFF: Okay. You may step down.

23 MR. KRUEGER: Staff calls David Broadwater.

24 JUDGE WOODRUFF: All right. Mr. Broadwater  
25 has retaken the stand.

1                   You are still under oath, sir.  
2                   THE WITNESS: Yes.  
3                   MR. KRUEGER: I tender him for  
4 cross-examination, your Honor.  
5                   JUDGE WOODRUFF: Okay. Natural Resources?  
6                   MS. WOODS: Nothing. Thank you.  
7                   JUDGE WOODRUFF: AgP?  
8                   MR. CONRAD: No questions.  
9                   JUDGE WOODRUFF: Springfield is not here.  
10                  Public counsel?  
11                  MR. MICHEEL: No questions.  
12                  JUDGE WOODRUFF: UE is not here.  
13                  UtiliCorp?  
14                  MR. SWEARENGEN: No questions.  
15                  JUDGE WOODRUFF: No questions?  
16                  MR. SWEARENGEN: (Shook head.)  
17                  JUDGE WOODRUFF: St. Joseph?  
18                  MR. COMLEY: No questions.  
19                  JUDGE WOODRUFF: All right. Coming up to  
20 the Bench. Chair Lumpe?  
21                  CHAIR LUMPE: No questions.  
22                  JUDGE WOODRUFF: Commissioner Schemenauer?  
23                  COMMISSIONER SCHEMENAUER: No questions.  
24                  JUDGE WOODRUFF: Commissioner Simmons?  
25                  COMMISSIONER SIMMONS: No questions.

1 JUDGE WOODRUFF: All right. No recross. No  
2 redirect.

3 You may step down.

4 MR. KRUEGER: Staff calls Cary Featherstone.

5 JUDGE WOODRUFF: Thank you.

6 Cary Featherstone has retaken the stand.

7 You are still under oath.

8 THE WITNESS: Thank you.

9 MR. KRUEGER: Tender him for  
10 cross-examination, your Honor.

11 JUDGE WOODRUFF: Thank you.

12 Natural Resources?

13 MS. WOODS: Nothing. Thank you.

14 JUDGE WOODRUFF: AgP?

15 MR. CONRAD: No questions.

16 JUDGE WOODRUFF: Nothing from Springfield.  
17 Public Counsel?

18 CARY G. FEATHERSTONE, being previously sworn,  
19 testified as follows:

20 CROSS-EXAMINATION BY MR. MICHEEL:

21 Q. Let me ask you, Mr. Featherstone, is the  
22 frozen capital structure proposal that the Company has  
23 in their regulatory plan the same as a divisional  
24 capital structure?

25 A. Well, it's certainly not -- it's called



1 something different, but I think the effect on the  
2 customers is the same.

3 MR. MICHEEL: Thank you.

4 That's all I have.

5 JUDGE WOODRUFF: And Union Electric is not  
6 here, so UtiliCorp?

7 MR. SWEARENGEN: No questions.

8 JUDGE WOODRUFF: St. Joseph?

9 MR. COMLEY: No questions.

10 JUDGE WOODRUFF: Coming up to the Bench,  
11 Chair Lumpe?

12 CHAIR LUMPE: No questions.

13 JUDGE WOODRUFF: Commissioner Schemenauer?

14 COMMISSIONER SCHEMENAUER: No questions.

15 JUDGE WOODRUFF: Commissioner Simmons?

16 COMMISSIONER SIMMONS: No questions.

17 JUDGE WOODRUFF: No recross and no redirect,  
18 and you may step down.

19 I believe Mr. Burdette is next.

20 MR. MICHEEL: Yes, your Honor. And I think  
21 this is his last topic, so I would move his testimony  
22 be admitted at this time.

23 JUDGE WOODRUFF: Okay.

24 MR. MICHEEL: It's been marked for purposes  
25 of identification as Exhibit 200.

1 JUDGE WOODRUFF: All right. Exhibit 200 has  
2 been offered into evidence. Does anyone have any  
3 objection?

4 (No response.)

5 JUDGE WOODRUFF: Hearing none, it will be  
6 received into evidence.

7 (EXHIBIT NO. 200 WAS RECEIVED INTO  
8 EVIDENCE.)

9 MR. MICHEEL: I would tender the witness for  
10 cross-examination on this issue, your Honor.

11 JUDGE WOODRUFF: All right. Thank you.

12 Let the record reflect that Mark Burdette  
13 has retaken the stand, and he is still under oath.

14 Okay. Natural Resources?

15 MS. WOODS: Nothing.

16 JUDGE WOODRUFF: AgP?

17 MR. CONRAD: Nothing.

18 JUDGE WOODRUFF: Springfield is not here.  
19 Staff?

20 MR. KRUEGER: No questions, your Honor.

21 JUDGE WOODRUFF: Union Electric is not here.  
22 UtiliCorp?

23 MR. SWEARENGEN: No questions.

24 JUDGE WOODRUFF: St. Joseph Light & Power?

25 MR. COMLEY: No questions.

1 JUDGE WOODRUFF: Coming up to the Bench,  
2 Chair Lumpe?

3 CHAIR LUMPE: No questions.

4 JUDGE WOODRUFF: Commissioner Schemenauer?

5 COMMISSIONER SCHEMENAUER: No questions.

6 JUDGE WOODRUFF: Commissioner Simmons?

7 COMMISSIONER SIMMONS: No questions.

8 JUDGE WOODRUFF: All right. No recross and  
9 no redirect.

10 You may step down.

11 (Witness excused.)

12 JUDGE WOODRUFF: I believe that completes  
13 the frozen capital structure issue and brings us to  
14 stranded costs and stranded cost conditions, which  
15 brings us back to Mr. McKinney again.

16 JUDGE WOODRUFF: Mr. McKinney has retaken  
17 the stand.

18 And, of course, you are still under oath.

19 THE WITNESS: Thank you.

20 JUDGE WOODRUFF: And I assume he is tendered  
21 for cross-examination.

22 MR. SWEARENGEN: He is tendered for  
23 cross-examination.

24 JUDGE WOODRUFF: Thank you.

25 St. Joseph Light & Power?

1 MR. COMLEY: No questions.  
2 JUDGE WOODRUFF: Union Electric is not here.  
3 Natural Resources?  
4 MS. WOODS: No questions.  
5 JUDGE WOODRUFF: AgP?  
6 MR. CONRAD: No questions.  
7 JUDGE WOODRUFF: Springfield is not here.  
8 Public Counsel?  
9 MR. MICHEEL: I don't have any questions on  
10 this issue.  
11 JUDGE WOODRUFF: Staff?  
12 MR. DOTTHEIM: No questions.  
13 JUDGE WOODRUFF: Coming up to the Bench,  
14 Chair Lumpe?  
15 JOHN W. MCKINNEY, being previously sworn, testified as  
16 follows:  
17 QUESTIONS BY CHAIR LUMPE:  
18 Q. Would there be any intent -- I'm sorry.  
19 Would there be any intent on considering  
20 this premium as a stranded cost?  
21 A. That would be up to the Commission, in our  
22 view, and the Legislature as you define that item as  
23 stranded cost is addressed. If the Legislature or the  
24 Commission defines the item to include acquisition  
25 adjustments, then it would come before you. If it's

1 defined that it would not, it would not come before  
2 you.

3 So I really can't say one way or another.  
4 It depends on your guidance and the Legislature's  
5 guidance as that item is defined under the  
6 restructuring legislation. We will comply with  
7 whatever definition comes up with.

8 CHAIR LUMPE: Okay. Thank you.

9 JUDGE WOODRUFF: Commissioner Schemenauer?

10 COMMISSIONER SCHEMENAUER: Thank you, your  
11 Honor.

12 QUESTIONS BY COMMISSIONER SCHEMENAUER:

13 Q. If the legislation defines stranded costs as  
14 all assets in the rate base, would it be included as a  
15 stranded cost?

16 A. If you include it in rate base, then, yes,  
17 it would be.

18 Q. And the -- after the five-year moratorium,  
19 it would be included -- half of the premium would be  
20 included in the rate base?

21 A. One half of the premium would be included in  
22 the rate base.

23 Now, if I could expand on that, Judge, for  
24 clarity?

25 Q. Yes.

1       A.     At this time point, I'm not sure -- and,  
2     again, it depends on how the Legislature and the  
3     Commission comes up with the definitions and  
4     calculations of stranded cost on whether UtiliCorp on  
5     a merged basis would have any even included in the  
6     premium. We will have to wait until that point in  
7     time.

8             I question seriously if we would have any  
9     stranded costs to bring to you, even including the  
10    premium.

11            COMMISSIONER SCHEMENAUER: Thank you.  
12            That's all I had.

13            JUDGE WOODRUFF: Commissioner Simmons?

14            COMMISSIONER SIMMONS: Nothing, sir.

15            JUDGE WOODRUFF: All right. To save a  
16    little time on recross, I'm just going to ask if  
17    anybody has any questions?

18            (No response.)

19            JUDGE WOODRUFF: Then I assume there are  
20    none.

21            Any redirect?

22            MR. SWEARENGEN: No redirect.

23            JUDGE WOODRUFF: Okay. Mr. McKinney, you  
24    may step down.

25            THE WITNESS: Thank you.

1 JUDGE WOODRUFF: I believe Mr. Oligschlaeger  
2 is next?

3 MR. DOTTHEIM: Yes. Staff would recall to  
4 the witness stand Mark L. Oligschlaeger.

5 JUDGE WOODRUFF: All right.  
6 Mr. Oligschlaeger, you are still under oath.

7 And he is tendered for cross, I assume?

8 MR. DOTTHEIM: Yes. Excuse me.  
9 Mr. Oligschlaeger is tendered for cross on the issue  
10 of stranded costs.

11 JUDGE WOODRUFF: And it looks like Natural  
12 Resources has stepped out.

13 AgP?

14 MR. CONRAD: No questions.

15 JUDGE WOODRUFF: Springfield is not here.  
16 Public Counsel?

17 MR. MICHEEL: No.

18 JUDGE WOODRUFF: UE is not here.  
19 UtiliCorp?

20 MR. SWEARENGEN: No questions.

21 JUDGE WOODRUFF: St. Joseph Light & Power?

22 MR. COMLEY: No questions.

23 JUDGE WOODRUFF: Up to the Bench. Chair  
24 Lumpe?

25 CHAIR LUMPE: No questions.

1 JUDGE WOODRUFF: Commissioner Schemenauer?  
2 COMMISSIONER SCHEMENAUER: No questions.  
3 JUDGE WOODRUFF: Commissioner Simmons?  
4 COMMISSIONER SIMMONS: No questions.  
5 JUDGE WOODRUFF: All right. No recross and  
6 no redirect.  
7 You may step down.  
8 Ted Robertson has retaken the stand.  
9 And you are still under oath.  
10 MR. MICHEEL: I'd tender him for cross, your  
11 Honor.  
12 JUDGE WOODRUFF: Thank you.  
13 Natural Resources?  
14 (No response.)  
15 They are still not here.  
16 AgP?  
17 MR. CONRAD: No questions.  
18 JUDGE WOODRUFF: Springfield is not here.  
19 Staff?  
20 MR. DOTTHEIM: No questions.  
21 JUDGE WOODRUFF: UE is not here.  
22 UtiliCorp?  
23 MR. SWEARENGEN: No questions.  
24 JUDGE WOODRUFF: St. Joseph Light & Power?  
25 MR. COMLEY: No questions.



1 JUDGE WOODRUFF: Coming up to the Bench,  
2 Chair Lumpe has no questions.

3 COMMISSIONER SCHEMENAUER: No questions.

4 JUDGE WOODRUFF: Commissioner Schemenauer  
5 has no questions.

6 Commissioner Simmons?

7 COMMISSIONER SIMMONS: I have no questions.

8 JUDGE WOODRUFF: All right. No recross and  
9 no redirect.

10 You may step down.

11 Then that takes us into the next issue,  
12 which is synergies and unregulated operations.

13 Witness Kind is the witness.

14 MR. COFFMAN: I believe I would simply offer  
15 Mr. Kind for cross-examination.

16 JUDGE WOODRUFF: Okay. Mr. Kind, you are  
17 still under oath.

18 All right. Natural Resources is not here.

19 AgP?

20 MR. CONRAD: Present, but not voting.

21 JUDGE WOODRUFF: Okay. Springfield is not  
22 here.

23 Staff?

24 MR. DOTTHEIM: No question.

25 JUDGE WOODRUFF: UE is not here.

1 UtiliCorp?  
2 MR. SWEARENGEN: No questions.  
3 JUDGE WOODRUFF: St. Joseph Light & Power?  
4 MR. COMLEY: No questions.  
5 JUDGE WOODRUFF: Chair Lumpe?  
6 CHAIR LUMPE: No questions.  
7 JUDGE WOODRUFF: Commissioner Schemenauer?  
8 COMMISSIONER SCHEMENAUER: No questions.  
9 JUDGE WOODRUFF: Commissioner Simmons?  
10 COMMISSIONER SIMMONS: No questions.  
11 JUDGE WOODRUFF: All right. No recross and  
12 no redirect.  
13 You may step down.  
14 And that takes care of that issue.  
15 The next issue is affiliated transactions/  
16 affiliated transactions conditions, and we get to see  
17 Mr. McKinney again.  
18 MR. COFFMAN: Your Honor, if I might, I  
19 discovered at lunch that the Statement of Position in  
20 the Office of Public Counsel's filing from June 26th  
21 had an error and an answer to a previous issue had  
22 been copied in the wrong place, and so I am filing a  
23 correction today, and here are some replacement pages  
24 that would give the correct summary of Public  
25 Counsel's statement of position on the issue we're

1 about to do.

2 I've distributed, I believe, a copy of this  
3 to all of the parties. This is the only mistake, I  
4 believe, and I've underlined it, and it carries over  
5 from Page 9 to 10.

6 JUDGE WOODRUFF: Thank you.

7 MR. COFFMAN: That's all, your Honor.

8 JUDGE WOODRUFF: Okay. I assume he is  
9 tendered for cross?

10 MR. SWEARENGEN: Excuse me. Your Honor,  
11 Mr. McKinney is tendered for direct.

12 JUDGE WOODRUFF: Thank you.

13 MR. SWEARENGEN: Or cross. Excuse me.

14 JUDGE WOODRUFF: Or cross. It is already  
15 getting late in the day.

16 Okay. St. Joseph Light & Power?

17 MR. COMLEY: No questions. Thank you.

18 JUDGE WOODRUFF: UE is not here.

19 Natural Resources is not here.

20 AgP?

21 MR. CONRAD: No questions.

22 JUDGE WOODRUFF: Springfield is not here.

23 Public Counsel?

24 MR. COFFMAN: Yes. Thank you.

25 JOHN W. McKINNEY, being previously sworn, testified as

1 follows:

2 CROSS-EXAMINATION BY MR. COFFMAN:

3 Q. Good afternoon, Mr. McKinney.

4 A. Good afternoon.

5 Q. Have you had a chance to review the  
6 corrected Statement of Position on this issue that I  
7 just distributed around the room?

8 A. Yes. You were kind enough to give me one  
9 earlier. Thank you.

10 Q. So you do understand Public Counsel's issue  
11 from reading the testimony?

12 A. I believe I do, yes.

13 Q. And I believe you have a broad area of  
14 responsibilities for regulatory affairs for UtiliCorp?

15 A. That's correct.

16 Q. Do you review all data requests?

17 A. No, I do not see all of them.

18 Q. All right. Have you reviewed any data  
19 requests or responses in this case?

20 A. Yes. Some I have; some I have not, like I  
21 said. There's been, what, 1,700 of them. I have seen  
22 some. I can't be specific on which ones.

23 If you have one you would like me to look  
24 at, I would be very happy to.

25 MR. COFFMAN: If I may approach the witness?

1 JUDGE WOODRUFF: You may.

2 BY MR. COFFMAN:

3 Q. I'd like to show you a copy of --

4 A. Thank you.

5 Q. This is an item Public Counsel received in  
6 response to a data request, and I'm wondering if you  
7 have seen this before?

8 I'm very sorry.

9 A. I did not see the data request, but this  
10 e-mail has been brought to my attention, yes.

11 Q. So you have reviewed this e-mail?

12 A. I have seen this e-mail, yes.

13 Q. And are you aware that this e-mail is the  
14 subject of some recent data requests that Public  
15 Counsel has propounded?

16 A. I believe this e-mail got attached to a data  
17 request that was forwarded to the Staff. I'm not sure  
18 it was direct related to the specific question asked.  
19 If it was, that's fine.

20 Q. Are you aware of any subsequent data  
21 requests that were sent out regarding this particular  
22 e-mail?

23 A. I have not seen those, no.

24 Q. Okay. Are you familiar with the individuals  
25 on the data requests? Do you know who Mr. Rob Freeman

1 is?

2 A. Yes, I do.

3 Q. And who is he?

4 A. He is an attorney with the Company.

5 Q. And Mr. Tom Wertz, do you know who he is?

6 A. Yes. He is another employee of Aquila.

7 Both Mr. Freeman and Mr. Wertz are attorneys that work  
8 for Aquila.

9 Q. All right. And who is Laurie Hamilton?

10 A. Laurie Hamilton is a member of our Electric  
11 Regulatory Team.

12 MR. COFFMAN: Okay. At this time, your  
13 Honor, I'd like to mark this exhibit --

14 JUDGE WOODRUFF: Okay.

15 MR. COFFMAN: -- and offer it into the  
16 record. I would make that Exhibit 206.

17 JUDGE WOODRUFF: It would be 206.

18 (EXHIBIT NO. 206 WAS MARKED FOR  
19 IDENTIFICATION.)

20 JUDGE WOODRUFF: Okay. Exhibit 206 has been  
21 offered into evidence. Are there any objections?

22 (No response.)

23 JUDGE WOODRUFF: Hearing none, it will be  
24 received into evidence.

25 (EXHIBIT NO. 206 WAS RECEIVED INTO

1 EVIDENCE.)

2 MR. COFFMAN: Actually, I don't think I have  
3 any further questions. Thank you.

4 JUDGE WOODRUFF: All right. Thank you.

5 And we're down to Staff?

6 MR. DOTTHEIM: No questions.

7 JUDGE WOODRUFF: Coming back up to the  
8 Bench, Chair Lumpe?

9 QUESTIONS BY CHAIR LUMPE:

10 Q. Mr. McKinney, UtiliCorp is not one of the  
11 companies that challenged the Authoritative  
12 Transaction Rule in court, are they?

13 A. No, we did not challenge in court. We did  
14 make a filing with the Commission asking for a waiver  
15 until that decision was made so we could be on the  
16 same grounds as everybody, but we did not join in the  
17 court decision.

18 CHAIR LUMPE: You did not join in the court  
19 decision. I thought that was the case.

20 Thank you.

21 JUDGE WOODRUFF: Commissioner Murray?

22 COMMISSIONER MURRAY: What issue are we on?

23 JUDGE WOODRUFF: This is affiliated  
24 transactions and affiliated transactions conditions.

25 COMMISSIONER MURRAY: I don't have any

1 questions. Thank you.

2 THE WITNESS: Thank you.

3 JUDGE WOODRUFF: Commissioner Schemenauer?

4 COMMISSIONER SCHEMENAUER: No questions,  
5 your Honor.

6 JUDGE WOODRUFF: Commissioner Simmons?

7 COMMISSIONER SIMMONS: No questions, your  
8 Honor.

9 JUDGE WOODRUFF: Again, to save time, does  
10 anyone have any recross?

11 (No response.)

12 JUDGE WOODRUFF: Hearing none, I will assume  
13 there is none.

14 Any redirect?

15 MR. SWEARENGEN: One redirect.

16 REDIRECT EXAMINATION BY MR. SWEARENGEN:

17 Q. Mr. McKinney, can you explain to the  
18 Commission what Exhibit 206 is, please?

19 A. Thank you.

20 Exhibit 206 is an e-mail correspondence with  
21 a reply between members of our Electric Regulatory  
22 staff and Aquila Energy, a wholly-owned subsidiary of  
23 UtiliCorp. Aquila was entering into a transaction,  
24 and as the basis of this, they were checking with our  
25 staff to make sure that there was no violations of any



1 code of conduct rules as promulgated by the FERC.

2 And we wanted to make sure that we knew what  
3 the affiliate rules were in Missouri and make sure  
4 that there were no violations of those rules either.

5 The rules at the time of this memorandum  
6 says that the rules were still pending. I haven't  
7 checked dates to make sure. I think they were final  
8 by this time, but they were checking to see if there  
9 would be any violations because they wanted to make  
10 sure they didn't do any. And so Aquila is very good  
11 at checking with us because of the federal rules and  
12 the state rules that we have in multiple states on  
13 affiliates, that we have to watch that, and they are  
14 very good at that. And that's what this message is  
15 attempting to do.

16 MR. SWEARENGEN: Thank you.

17 That's all I have.

18 JUDGE WOODRUFF: Thank you.

19 Then, Mr. McKinney, you may step down.

20 THE WITNESS: Thank you.

21 JUDGE WOODRUFF: I believe Mr. Kind is next  
22 on the list.

23 All right. Mr. Kind, you are still under  
24 oath.

25 May I assume he is tendered for

1 cross-examination?

2 MR. COFFMAN: Yes. I would offer Mr. Kind  
3 again for cross-examination.

4 JUDGE WOODRUFF: Okay. Natural Resources?

5 MS. WOODS: Nothing. Thank you.

6 JUDGE WOODRUFF: AgP?

7 MR. CONRAD: No questions.

8 JUDGE WOODRUFF: Springfield is not here.  
9 Staff?

10 MR. DOTTHEIM: No questions.

11 JUDGE WOODRUFF: UE is not here.  
12 UtiliCorp?

13 MR. SWEARENGEN: No questions.

14 JUDGE WOODRUFF: St. Joseph?

15 MR. COMLEY: No questions.

16 JUDGE WOODRUFF: All right. Coming up to  
17 the Bench, Chair Lumpe?

18 CHAIR LUMPE: No questions.

19 JUDGE WOODRUFF: Commissioner Murray?

20 COMMISSIONER MURRAY: No questions.

21 JUDGE WOODRUFF: Commissioner Schemenauer?

22 COMMISSIONER SCHEMENAUE: "No questions.

23 JUDGE WOODRUFF: Commissioner Simmons?

24 COMMISSIONER SIMMONS: No questions.

25 JUDGE WOODRUFF: No recross or redirect.

1                   You may step down....

2                   And I believe that completes that issue and  
3 also means the end of the second day of testimony, so  
4 we're making progress.

5                   The next item is energy efficiency/energy  
6 conditions.

7                   MR. DUFFY: Mr. Pella is the witness --

8                   JUDGE WOODRUFF: Okay.

9                   MR. DUFFY: -- on this testimony.

10                  JUDGE WOODRUFF: Would you please raise your  
11 right hand?

12                  (Witness sworn.)

13                  JUDGE WOODRUFF: And your name is --

14                  THE WITNESS: My name is Stephen L. Pella.

15                  JUDGE WOODRUFF: Thank you.

16                  MR. DUFFY: Do these already have numbers  
17 assigned to them?

18                  JUDGE WOODRUFF: Yes, they do.

19                  MR. DUFFY: The Direct and the Surrebuttal  
20 of Mr. Pella?

21                  JUDGE WOODRUFF: Pella Direct is nine and  
22 Pella Surrebuttal is ten.

23                  MR. DUFFY: Thank you.

24                  I'm handing three copies to the court  
25 reporter.

1 (EXHIBIT NOS. 9 AND 10 WERE WAS MARKED FOR  
2 IDENTIFICATION.)

3 JUDGE WOODRUFF: I believe Mr. Pella will be  
4 testifying again later also; is that correct?

5 THE WITNESS: Correct.

6 MR. DUFFY: Yes.

7 JUDGE WOODRUFF: Are you offering Exhibits 9  
8 and 10?

9 MR. DUFFY: I guess I should ask him to  
10 identify himself and if he has any questions.

11 JUDGE WOODRUFF: Go head. I'm sorry.

12 STEPHEN L. PELLA testified as follows:

13 DIRECT EXAMINATION BY MR. DUFFY:

14 Q. Could you state your name for the record,  
15 please?

16 A. Stephen L. Pella.

17 Q. Are you the same Stephen L. Pella who caused  
18 to be filed what's been marked for purposes of  
19 identification as Exhibit No. 9 and Exhibit No. 10,  
20 being your Direct and Surrebuttal Testimonies?

21 A. Yes.

22 Q. Do you have any changes or corrections to  
23 either of those documents?

24 A. I have one correction in the testimony,  
25 Page 1.

1 Q. Which, Direct or Surrebuttal?

2 A. The Direct.

3 Q. Direct?

4 A. Direct Testimony, Page 1, Lines 5 and 6. My  
5 current position is now Vice President of Strategic  
6 Planning, effective June 2000.

7 Q. Are there any other changes to either of the  
8 two documents?

9 A. No, there are not.

10 Q. With those changes, if I asked you the  
11 same questions today, would your answers be the  
12 same?

13 A. Yes.

14 Q. Are those answers true and correct to the  
15 best of your knowledge, information, and belief?

16 A. Yes.

17 MR. DUFFY: I offer Exhibit Nos. 9 and 10  
18 into the record, and tender the witness for  
19 cross-examination.

20 JUDGE WOODRUFF: Thank you.

21 St. Joseph Light & Power?

22 MR. COMLEY: No questions.

23 JUDGE WOODRUFF: UE is not here.

24 Natural Resources?

25 MS. WOODS: I have a few.

1 JUDGE WOODRUFF: Go ahead.

2 MS. WOODS: Thank you.

3 CROSS-EXAMINATION BY MS. WOODS:

4 Q. Mr. Pella, there are three service centers  
5 that UtiliCorp currently operates; is that correct?

6 A. If would you define "service centers" for  
7 me.

8 Q. Well, I believe in your testimony those are  
9 the --

10 A. Our terminology of customer service center,  
11 that we have three?

12 Q. Yes, that's what I'm referring to.

13 A. Yes.

14 Q. And there is one in Missouri; is that --

15 A. Correct.

16 Q. -- correct?

17 And you have your testimony, your Direct  
18 Testimony, in front of you?

19 A. I do.

20 Q. I want to make sure it is your Direct and  
21 your Surrebuttal?

22 A. I do.

23 Q. Would you turn to Page 21 of your  
24 Surrebuttal Testimony, starting at Line 1?

25 A. (Witness complied.)

1 Q. And I believe you make the statement, "Based  
2 on Mr. Colton's testimony, it is likely that had such  
3 residential class segregation taken place, other  
4 residential customers would be found to be currently  
5 subsidizing low-income consumers as well."

6 Do you see that?

7 A. This is Page 21 of the Surrebuttal --

8 Q. I believe so.

9 A. -- because mine starts off with an answer,  
10 unless I don't have a current copy. Mine starts off,  
11 "Not in the context of this proceeding."

12 MR. DUFFY: May I approach the witness? I  
13 think I've got a copy that at least matches.

14 JUDGE WOODRUFF: Yes, you may.

15 THE WITNESS: Thank you.

16 Yes.

17 BY MS. WOODS:

18 Q. Do you see that?

19 A. Yes. I had a different copy, so if you  
20 would read that again, please?

21 Q. I believe you state, "Based on Mr. Colton's  
22 testimony, it is likely that had such residential  
23 class segregation taken place, other residential  
24 customers would be found to be currently subsidizing  
25 low-income consumers as well."

1 Do you see that?

2 A. Yes, I do.

3 Q. When you say that your conclusion is based  
4 upon Mr. Colton's testimony, the part of Mr. Colton's  
5 testimony you're referring to is that part which says  
6 that "low-income consumers disproportionately use  
7 customer services." Is that accurate?

8 A. In the course of his testimony, he makes  
9 references, including that one, that suggest separate  
10 class. Without reviewing it completely, I wouldn't be  
11 able to identify the exact spots.

12 Q. But it's generally his statements about the  
13 low-income?

14 A. Yes. I was responding to his statement  
15 suggesting separate classes for low-income customers.

16 MS. WOODS: If I may approach the witness?

17 JUDGE WOODRUFF: Yes, you may.

18 BY MS. WOODS:

19 Q. I'd like to hand you what's been premarked  
20 as MDNR Exhibit No. 403.

21 That is a packet --

22 JUDGE WOODRUFF: Excuse me, counsel. I'm a  
23 couple short here.

24 (EXHIBIT NO. 403 WAS MARKED FOR  
25 IDENTIFICATION.)



1 BY MS. WOODS:

2 Q. And taking a look at that, could you tell me  
3 what those are, please?

4 A. Can you be more specific? What they are?

5 Q. Yeah. I think if you will take a look at  
6 that you'll find that there are some discovery  
7 responses in there from UtiliCorp. Could you just  
8 identify the numbers on those discovery responses for  
9 me, please?

10 A. The responses to the questions or  
11 responses -- there are two -- five -- there are  
12 numbered sheets here for five data requests and one  
13 attachment to one of them.

14 What specifically would you like me to  
15 acknowledge?

16 Q. Are those responses to Data Requests No. 9,  
17 10, 11, 33, and 35?

18 A. Yes.

19 Q. If you could look at MDMP-9-N?

20 A. Nine-N? I have nine.

21 Q. And then under the response, do you see the  
22 one with the "N"?

23 A. No, I do not.

24 JUDGE WOODRUFF: You may approach, if you  
25 like. Okay.

1 BY MS. WOODS:

2 Q. Now, do you see it?

3 A. Yes. I thought you were referring to the  
4 title.

5 Q. I'm sorry. And does that state that the  
6 Company did not categorize bad debt by socioeconomic  
7 status of the customer?

8 A. Yes, it does.

9 Q. I see that this discovery question was  
10 answered by Shirley Paul; is that accurate?

11 A. Yes. That's what it says.

12 Q. Excuse me?

13 A. Yes, that's what it says.

14 Q. Do you have any reason to believe that that  
15 answer is incorrect at this time?

16 A. I do not.

17 Q. And if you could look at Data Request  
18 No. MDMP-10?

19 A. Yes.

20 Q. And does that response state that the  
21 Company has prepared no studies, analyses, memos,  
22 workpapers, or any other written document that looks  
23 at the extent of accounts receivable associated with  
24 the LIHEAP recipients who are Company customers?

25 A. Yes, that's what it says.

1 Q. And do you have any reason to believe that  
2 that response is not accurate at this time?

3 A. I do not.

4 Q. Thank you.

5 And if you could look at response to  
6 MDMP-11, please, does that response state that the  
7 Company has performed no study using Company customers  
8 that distinguishes between residential customers  
9 generally and low-income residential customers in  
10 particular, including factors such as usage levels and  
11 patterns, history of payment troubles, consumption of  
12 energy efficiency services, credit and collection  
13 history, and consumption of Company resources such as  
14 staff time?

15 A. Yes, that's what it says.

16 Q. And do you have any reason to believe that  
17 that response is not accurate at this time?

18 A. No, I do not.

19 Q. Okay. Would you look at response to MDMP  
20 No. 33, please? And does that response state that the  
21 Company, meaning UtiliCorp, has performed no study and  
22 has no copy of any study performed by anyone else that  
23 considers, evaluates, or discusses the relationship  
24 between residential payment troubles and low-income  
25 status?

1           A.     Yes, that's what it says.

2           Q.     And do you believe -- have any reason to  
3 believe that response is not accurate at this time?

4           A.     No, I don't have any reason to believe that.

5           Q.     And, finally, if you would look at MDMP-35,  
6 does that response state that the Company has  
7 performed no study and has no copy of any study  
8 performed by anyone else that considers, evaluates, or  
9 discusses the relationship between payment troubles  
10 and either the level of customer consumption or the  
11 income of a customer's household?

12          A.     Yes, that's what it says.

13          Q.     And do you have any reason to believe that  
14 that response is not accurate at this time?

15          A.     No.

16          Q.     And on Page 21, again of your Surrebuttal,  
17 starting at Line 4, and I believe it says that -- or  
18 you state that ". . . all other things being equal, a  
19 class cost of service study performed today  
20 segregating low-income consumers would result in a  
21 sizable increase in low-income consumer rates." Is  
22 that an accurate rendition of what you said in your  
23 Surrebuttal Testimony?

24          A.     Yes, generally so.

25          Q.     Now, again, about two lines above that, you

1 did state that "based on Mr. Colton's testimony," is  
2 that accurate?

3 A. It says "based on Mr. Colton's testimony,"  
4 yes.

5 Q. And is your statement then based on  
6 Mr. Colton's comments regarding the fact that  
7 low-income customers disproportionately use the  
8 Company's customer services?

9 A. Mr. -- Mr. Colton goes through testimony to  
10 that effect that there are more drivers of service for  
11 the low-income customers or the implication thereof.

12 Q. And then -- so your statement is in response  
13 to his --

14 A. Was to carry -- carry that thought further  
15 into how that might be handled in a broad sense in a  
16 regulatory setting.

17 MS. WOODS: May I approach the witness?

18 JUDGE WOODRUFF: Yes, you may.

19 MS. WOODS: I'll hand him what's been  
20 premarked as MDNR Exhibit 404.

21 (EXHIBIT NO. 404 WAS MARKED FOR  
22 IDENTIFICATION.)

23 BY MS. WOODS:

24 Q. If you could please take a look at the  
25 Company's response to MDNR discovery request which has

1       been numbered MDMPIN-5?

2           A.       Yes.

3           Q.       And in this response the Company provided  
4       electric operation and maintenance expenses for each  
5       year, 1997 through 1999; is that correct?

6           A.       Yes.

7           Q.       And if you turn to Page 1 of that response,  
8       which is the attachment --

9           A.       Yes.

10          Q.       -- it appears that Account 903 is listed as  
11       "Customer records and collection expenses"; is that  
12       correct?

13          A.       Yes.

14          Q.       And the Account 903 expenses for 1997 are  
15       \$2,998,167?

16          A.       Yes, that's what's in the attachment.

17          Q.       And on 1998 are \$2,710,335?

18          A.       Yes.

19          Q.       And in 1999 are \$2,920,909?

20          A.       Yes.

21          Q.       And, Mr. Pella, I believe you stated in your  
22       Surrebuttal Testimony that the proposed merger would  
23       not harm low-income customers, contrary to what  
24       Mr. Colton testified in his Rebuttal Testimony?

25          A.       That it would not be detrimental to the

1 existing customers, yes.

2 MS. WOODS: And if I could hand you what's  
3 been premarked as MDNR Exhibit 405.

4 (EXHIBIT NO. 405 WAS MARKED FOR  
5 IDENTIFICATION.)

6 BY MS. WOODS:

7 Q. And are those UtiliCorp responses to Data  
8 Request Nos. MDMP-7 and MDMP-12?

9 A. Yes.

10 Q. And does the Company response to MDMP-7  
11 state that the Company has in its possession no  
12 studies that consider either the long-term or short-  
13 term price elasticity for residential customers as a  
14 whole or for prolonged -- excuse me -- for low-income  
15 residential customers in particular?

16 A. It says for either, but, yes, that's what it  
17 says.

18 Q. Thank you.

19 And do you have any reason to believe that  
20 this response is not accurate at this time?

21 A. No.

22 Q. And then if you could turn to Data Request  
23 MDMP-12, does that response state that the Company has  
24 not completed by customer class a study or have any  
25 written documentation of any nature that considers,

1 evaluates, or discusses the benefits and costs of the  
2 proposed merger disaggregated by customer call --  
3 excuse me -- customer class, that benefits were based  
4 on total company only.

5 A. Yes.

6 Q. Do you have any reason to believe that that  
7 response is not accurate at this time?

8 A. No.

9 Q. And, Mr. Pella, at Page 22, Line 8 of your  
10 testimony -- can you find that?

11 A. Yes.

12 Q. -- do you make the statement that while you  
13 intend to introduce standard building and payment  
14 processes, these processes provide for significant  
15 flexibility?

16 A. Yes, that's what it says.

17 MS. WOODS: If I may hand the witness what's  
18 been premarked as MDNR Exhibit No. 406.

19 (EXHIBIT NO. 406 WAS MARKED FOR  
20 IDENTIFICATION.)

21 BY MS. WOODS:

22 Q. And does that exhibit consist of responses  
23 to Data Request No. MDMP-5 and -6, and MDMPIN-16?

24 A. I have five here only with -- with  
25 attachments.



1 MR. DUFFY: Five is all I have.

2 MS. WOODS: Well, five is all I have.

3 JUDGE WOODRUFF: We've got six up here.

4 MS. WOODS: And this is the -- well --

5 JUDGE WOODRUFF: Mr. Duffy, if you want to  
6 get a copy from up here.

7 MR. DUFFY: I'll just borrow it.

8 BY MS. WOODS:

9 Q. If you could take a look at response to  
10 MDMP-6 first.

11 A. Yes.

12 Q. In Part B, does it state that all of the gas  
13 and electric LDCs use the same standardized  
14 procedures. The only exceptions would be items  
15 specific to Missouri Gas and Electric rules and  
16 regulations which would take precedent?

17 A. I'm not tracking. You're on MDMP-6?

18 Q. Yes.

19 A. I have, For every separate office in unit  
20 for the collection functions, with attached order  
21 charts.

22 MS. WOODS: I'm sorry. I have nothing  
23 further.

24 JUDGE WOODRUFF: All right. Did you want to  
25 offer 403, 404, and 405?

1 MS. WOODS: I would like to offer 403, 404,  
2 and I don't believe I will offer 40-- and I would like  
3 to offer 405. Thank you.

4 JUDGE WOODRUFF: Okay. 403, 404, and 405  
5 have been offered into evidence. Are there any  
6 objections?

7 MR. CONRAD: Your Honor, I don't know that I  
8 have an objection to it, but I still haven't gotten a  
9 copy of 403.

10 JUDGE WOODRUFF: Okay. Do you have an extra  
11 copy of 403?

12 MR. CONRAD: Thank you very much.

13 JUDGE WOODRUFF: Okay. Hearing no  
14 objections, then, 403, 404, and 405 will be received.

15 (EXHIBIT NOS. 403, 404, AND 405 WERE  
16 RECEIVED INTO EVIDENCE.)

17 JUDGE WOODRUFF: I assume you are not  
18 offering 406?

19 MS. WOODS: No, I am not.

20 JUDGE WOODRUFF: Do you have any other  
21 questions for the witness?

22 MS. WOODS: No, I do not.

23 JUDGE WOODRUFF: Okay. Thank you.

24 Okay. Going back into cross-examination,  
25 then, we are at AgP.

1 MR. CONRAD: Very briefly, your Honor.

2 CROSS-EXAMINATION BY MR. CONRAD:

3 Q. Mr. Pella, would you look at Page 21 of  
4 what's been marked as Exhibit 10, that being your  
5 Surrebuttal Testimony, please?

6 A. Page 21?

7 Q. Yes, sir.

8 A. Yes.

9 Q. And I'm looking at Line 15, I think,  
10 actually, a sentence, sir, that begins the line ahead  
11 of that and then continues through the end of Line 15.  
12 Do you see that reference?

13 A. Yes.

14 Q. Would it be perhaps better to say that  
15 classes of customers are defined based upon their  
16 specific load and usage characteristics?

17 A. I'd like to read it here.

18 Yes. That's -- that's true --

19 Q. Now, look at --

20 A. -- the characteristics.

21 Q. -- Exhibit 404 for just a second. I believe  
22 that was admitted.

23 A. Okay.

24 Q. Look at Line 30, please, on the spread  
25 sheet.

1 A. Is 404 MDMP-10?

2 Q. 404 is MDM -- Mary, Dog, Mary, Alpha (sic),  
3 Idaho, Nancy - five. MDMPIN-5, whatever that is.

4 A. Okay.

5 Q. That's the 900 account list.

6 A. Okay. Yes.

7 Q. Look down on Line 30. I just had a real  
8 quick question about that. I'm sure you're not the  
9 cost accountant on this, but the question comes up.

10 Does it look to you like the Company could  
11 begin to make injuries and damages a profit center?

12 MR. SWEARENGEN: Objection. Irrelevant to  
13 the issue.

14 JUDGE WOODRUFF: Interesting but irrelevant.  
15 The objection is sustained.

16 MR. CONRAD: That's all.

17 JUDGE WOODRUFF: All right. Springfield is  
18 not here.

19 Public Counsel?

20 MR. MICHEEL: I just have one question on  
21 his Surrebuttal Testimony, Exhibit 10.

22 THE WITNESS: Yes.

23 CROSS-EXAMINATION BY MR. MICHEEL:

24 Q. Is it correct you say with respect to  
25 Mr. Colton's recommendations that the proper forum to

1 accept or reject his recommendation is within the  
2 context of a rate proceeding where we look at all  
3 factors?

4 A. Yes, I do make that reference.

5 Q. And so that's generally within the context  
6 of a rate proceeding is where we should be doing those  
7 type of items; is that correct?

8 A. Yes.

9 MR. MICHEEL: Nothing further. Thank you.

10 JUDGE WOODRUFF: Thank you.

11 And Staff?

12 MR. DOTTHEIM: No questions.

13 JUDGE WOODRUFF: Okay. Coming up to the  
14 Bench, Vice Chair Drainer?

15 COMMISSIONER DRAINER: I have no questions.  
16 Thank you.

17 JUDGE WOODRUFF: Commissioner Murray?

18 COMMISSIONER MURRAY: No questions.

19 JUDGE WOODRUFF: Commissioner Schemenauer?

20 COMMISSIONER SCHEMENAUER: No questions.

21 JUDGE WOODRUFF: Commissioner Simmons?

22 COMMISSIONER SIMMONS: I do have one  
23 question. Thank you.

24 QUESTIONS BY COMMISSIONER SIMMONS:

25 Q. Good afternoon, sir.

1           A.     Good afternoon.

2           Q.     I'm going to go to your Surrebuttal  
3     Testimony, and I'm going to look at Page 20 of that  
4     testimony.

5                     There was an answer given as it relates to  
6     Mr. Colton, and I'm going to go to Line No. 9. It  
7     says that he estimates that about 23 percent of  
8     UtiliCorp customers are low-income.

9                     Is that -- is that true, or -- I didn't find  
10    an answer for that. Do you --

11          A.     I can't confirm or deny. That was a number  
12    I did not have nor could I defend, so it's there from  
13    him.

14          Q.     Do you -- does the Company at all identify  
15    what low-income customers are in terms of -- do you  
16    have a way of identifying that?

17          A.     We don't identify our customers as to  
18    whether they are low-income or not from our records  
19    standpoint. When we take applications for programs  
20    that we offer, there are criteria, and at that time  
21    there are criteria. including 150 percent of the  
22    poverty level a customer of MPS, and so there would be  
23    at that time confirmation so there is eligibility, but  
24    we don't pro-actively try and categorize it.

25          Q.     So if you were able to identify those

1 individuals at that time, you would probably have a  
2 number of those individuals on record somewhere.  
3 Would that be correct?

4 A. There would be a record associated with the  
5 program that they took part in, I would suspect.

6 Q. Could you then take that number of  
7 individuals that you have on that record and your  
8 total number of customers, could you gather a  
9 percentage from that?

10 A. If the people responding represented a  
11 statistical sample of the population, which I wouldn't  
12 know if that would be true, you could do the  
13 calculation. I don't know that it would be  
14 statistically accurate, but we could do that type of  
15 calculation.

16 Q. At this point in time, the Company has not  
17 done anything like that?

18 A. Not to my knowledge.

19 Q. Okay. I'm going to go to Page 24 of your  
20 Surrebuttal Testimony, Lines 8 and 9. Here you're  
21 giving an answer in terms of some recommendations, and  
22 here it talks about programs may be found to be  
23 duplicative of existing programs.

24 Could you tell me what programs would be a  
25 duplication in your opinion?

1       A.     I could tell you the kind of programs we  
2 have, and what was suggested in my comment was merely  
3 to make sure that the programs being offered against  
4 those that we currently have available are there so we  
5 only consider new entries that have incremental value.  
6 So, you know, we offer some traditional things in the  
7 Energy Efficiency Program ranging from --

8       Q.     Is it your opinion that some of the programs  
9 expressed by Mr. Colton on behalf of Department of  
10 Natural Resources and the programs that they suggest  
11 or offer, they already have duplication to the  
12 programs that UtiliCorp is currently offering?

13       A.     I thought there was a chance that some  
14 number could be; therefore, I stated we ought to make  
15 sure that there aren't any duplications. I wasn't  
16 making the assertive fact that I'd identified a  
17 specific number ahead of time, but merely that could  
18 be the case.

19       Q.     Do you also believe that that program or  
20 those type of programs would offer the kind of costs  
21 that you believe would be exorbitant or very high in  
22 nature?

23       A.     The programs are usually assessed on the  
24 energy-efficiency side based on a bit of a cost  
25 benefit. Also to the degree that the traditional



1 formulas around energy efficiency were concerned and  
2 if they were positive, then they would be eligible and  
3 we would surely consider them. And that's how we  
4 become comfortable with our program elements.

5 Q. Do you believe that the advisory board as  
6 offered by the Company would make those kind of  
7 recommendations as to potential low-income programs  
8 since that advisory board is going to also offer  
9 community-type initiatives? Would that be in their  
10 purview, do you think?

11 A. I think that could be one of their purposes  
12 to give opinions on behalf of the community and offer  
13 suggestions about where programs like this might best  
14 serve, so I think that's very likely.

15 Q. Okay. Thank you, sir.

16 A. Yes.

17 COMMISSIONER SIMMONS: I have no other  
18 questions.

19 Thank you, your Honor.

20 THE WITNESS: Yes.

21 JUDGE WOODRUFF: All right. Then going to  
22 recross, St. Joseph Light & Power?

23 MR. COMLEY: No questions.

24 JUDGE WOODRUFF: Union Electric is not  
25 here.

1 Natural Resources?

2 RECROSS-EXAMINATION BY MS. WOODS:

3 Q. Mr. Pella, are the recommendations or  
4 suggestions of this advisory committee binding on the  
5 Company and merged entity?

6 A. Are you talking about the nine-person  
7 advisory board as part of the merger agreement?

8 Q. Yeah.

9 A. No, they wouldn't be binding. They are an  
10 advisory committee.

11 MS. WOODS: Thank you.

12 That's all I have.

13 JUDGE WOODRUFF: AgP?

14 MR. CONRAD: Nothing further.

15 JUDGE WOODRUFF: Springfield is not here.  
16 Public Counsel?

17 MR. MICHEEL: Nothing based on cross from  
18 the Bench, your Honor.

19 JUDGE WOODRUFF: Staff?

20 MR. DOTTHEIM: No questions.

21 JUDGE WOODRUFF: Okay. Any redirect?

22 MR. DUFFY: It's going to be brief, but I  
23 need to look at my copy of the testimony that I loaned  
24 to the witness.

25 THE WITNESS: Thanks for that.

1 REDIRECT EXAMINATION BY MR. DUFFY:

2 Q. You were asked several questions about this  
3 sentence that appears at the top of Page 21 of your  
4 Surrebuttal Testimony where you said, Based on  
5 Mr. Colton's testimony it's likely that had such  
6 residential class segregation taken place, other  
7 residential customers would be found to be currently  
8 subsidizing low-income customers as well.

9 What I want to ask you is, the exhibits that  
10 MDNR presented when they were cross-examining you  
11 indicated that UtiliCorp has not done any particular  
12 studies or analyses to identify some segment called  
13 low-income.

14 And so since you haven't done those studies,  
15 what's the basis for the statement that you made in  
16 your testimony that you think there would be this  
17 subsidization taking place?

18 A. The reason is referencing back to the  
19 regulatory scheme whereby we would have agreed in a  
20 separate proceeding about the kinds of programs and  
21 the level those programs, so not only the clearing of  
22 the cost benefit, but the cost to introduce those  
23 would be a part of the rate outcomes.

24 So in a program that we're talking about  
25 here energy efficiency-wise, it would have been a part

1 of that. The cost would have been a part of the rates  
2 and outcomes from the case.

3 What was said here is merely prompted by --  
4 I don't have -- you've got my copy. What he talks to  
5 or what was suggested by that I was trying to respond,  
6 maybe not based on, but prompted by his testimony, I  
7 felt the subsidization issue came up again because  
8 there is subsidization of several forms.

9 Q. Did you rely upon any experience or  
10 knowledge you have of the utility industry in general  
11 to make your assertion?

12 A. Yeah. It was a statement on a broad basis  
13 about rate setting and how utilities do this sort of  
14 thing and how the structures are set up. I was trying  
15 to illustrate a point.

16 Q. So do you believe that your comment is  
17 appropriate even though you did not do any specific  
18 analyses to support your comment?

19 MR. MICHEEL: I'm going to object. It's  
20 leading.

21 JUDGE WOODRUFF: Overruled.

22 THE WITNESS: It was based on my experience  
23 and knowledge of the industry and our business.

24 MR. DUFFY: That's all of the redirect I  
25 have, your Honor.

1 JUDGE WOODRUFF: Thank you.  
2 Now, you may step down.  
3 The next item on the list is Randolph.  
4 MS. WOODS: The Department calls Anita  
5 Randolph.  
6 JUDGE WOODRUFF: Please raise your right  
7 hand.  
8 (Witness sworn.)  
9 JUDGE WOODRUFF: Thank you.  
10 You may sit down.  
11 MS. WOODS: I'm handing the court reporter  
12 what has previously been premarked as MDNR Exhibit  
13 No. 400.  
14 (EXHIBIT NO. 400 WAS MARKED FOR  
15 IDENTIFICATION.)  
16 ANITA C. RANDOLPH testified as follows:  
17 DIRECT EXAMINATION BY MS. WOODS:  
18 Q. Would you please state your name for the  
19 record?  
20 A. Anita C. Randolph.  
21 MS. WOODS: Based on the stipulation among  
22 the parties, I would move the introduction of MDNR  
23 Exhibit No. 400, and tender Ms. Randolph for  
24 cross-examination.  
25 JUDGE WOODRUFF: Exhibit 400 has been

1 offered into evidence. Are there any objections?

2 (No response.)

3 JUDGE WOODRUFF: Hearing none, it will be  
4 received into evidence.

5 (EXHIBIT NO. 400 WAS RECEIVED INTO  
6 EVIDENCE.)

7 JUDGE WOODRUFF: Okay. We will go to  
8 cross-examination then. We'll start with AgP?

9 MR. CONRAD: No questions.

10 JUDGE WOODRUFF: Springfield is not present.  
11 Public Counsel?

12 MR. MICHEEL: no questions, your Honor.

13 JUDGE WOODRUFF: Staff?

14 MR. DOTTHEIM: No questions.

15 JUDGE WOODRUFF: UE is not here.

16 UtiliCorp?

17 MR. SWEARENGEN: No questions at this time,  
18 your Honor.

19 JUDGE WOODRUFF: St. Joseph Light & Power?

20 MR. COMLEY: No questions.

21 JUDGE WOODRUFF: Okay. Coming up to the  
22 Bench, Vice Chair Drainer?

23 COMMISSIONER DRAINER: I have no questions.

24 JUDGE WOODRUFF: Commissioner Murray?

25 COMMISSIONER MURRAY: I have one or two.

1 QUESTIONS BY COMMISSIONER MURRAY:

2 Q. Good afternoon.

3 A. Good afternoon.

4 Q. It looks like in your testimony you are  
5 recognizing and complimenting UtiliCorp for  
6 introducing renewable energy -- wind energy and its  
7 initial efforts to provide green power to Missouri  
8 customers; is that correct?

9 A. That is correct. We are pleased to see that  
10 development in Missouri.

11 Q. And then beyond that you think that as a  
12 condition of this merger -- and you say "these  
13 mergers." I'm assuming you're talking about the  
14 merger that we'll be hearing in a few weeks, I  
15 guess --

16 A. Correct.

17 Q. -- as well as this one -- you would like a  
18 commitment from UtiliCorp to offer additional  
19 renewable energy to Missouri customers?

20 A. Correct.

21 Q. And have you set out that commitment that  
22 you --

23 A. We did not specifically set it out in this  
24 testimony. We would like to form a partnership with  
25 UtiliCorp to assess renewable energy potential in

1 Missouri, and -- and work with the Company to develop  
2 opportunities for additional offering of renewable  
3 energy sources for Missouri customers.

4 Q. You don't have any type of base numbers in  
5 mind that you're attempting to achieve?

6 A. On this -- on the renewable subject we do  
7 not because we think the first step is an assessment  
8 of the potential in Missouri. Such an assessment has  
9 not been done on a broad-based foundation, and we  
10 believe that's the first step. So we don't think it's  
11 possible to attach a specific dollar amount at this  
12 time.

13 COMMISSIONER MURRAY: Thank you.

14 JUDGE WOODRUFF: Commissioner Schemenauer?

15 COMMISSIONER SCHEMENAUER: No questions,  
16 your Honor.

17 JUDGE WOODRUFF: Commissioner Simmons?

18 COMMISSIONER SIMMONS: No questions, your  
19 Honor.

20 JUDGE WOODRUFF: Thank you.

21 Then recross, starting with AgP?

22 MR. CONRAD: Nothing, your Honor.

23 JUDGE WOODRUFF: Nothing.

24 Springfield is not here.

25 Public Counsel?



1 MR. MICHEEL: I have no questions based on  
2 questions from the Commissioners.

3 JUDGE WOODRUFF: Staff?

4 MR. DOTTHEIM: No questions.

5 JUDGE WOODRUFF: UE is not here.

6 UtiliCorp?

7 MR. SWEARENGEN: No questions.

8 JUDGE WOODRUFF: St. Joseph Light & Power?

9 MR. COMLEY: No questions.

10 JUDGE WOODRUFF: All right. Any redirect?

11 MS. WOODS: No. Thank you, your Honor.

12 JUDGE WOODRUFF: You may step down.

13 (Witness excused.)

14 JUDGE WOODRUFF: That completes that issue,  
15 and the next issue is corporate altercations with  
16 Mr. McKinney.

17 MR. SWEARENGEN: Mr. McKinney is tendered.

18 JUDGE WOODRUFF: Okay. Thank you.

19 For cross-examination, then, we start with  
20 St. Joseph Light & Power?

21 MR. COMLEY: No questions.

22 JUDGE WOODRUFF: Okay. UE has -- is not  
23 here.

24 Natural Resources?

25 MS. WOODS: No questions. Thank you.

1 JUDGE WOODRUFF: AgP?  
2 MR. CONRAD: No questions.  
3 JUDGE WOODRUFF: Springfield is not here.  
4 Public Counsel?  
5 MR. MICHEEL: No questions.  
6 JUDGE WOODRUFF: Staff?  
7 MR. DOTTHEIM: No questions.  
8 JUDGE WOODRUFF: Coming up to the Bench,  
9 Vice Chair Drainer?  
10 COMMISSIONER DRAINER: I have no questions  
11 at this time.  
12 THE WITNESS: Thank you.  
13 COMMISSIONER DRAINER: You're welcome.  
14 JUDGE WOODRUFF: Commissioner Murray?  
15 COMMISSIONER MURRAY: Just briefly.  
16 JOHN W. McKINNEY, being previously sworn, testified as  
17 follows:  
18 QUESTIONS BY COMMISSIONER MURRAY:  
19 Q. Are you getting tired of playing musical  
20 chairs, Mr. McKinney?  
21 A. That's what I'm here for.  
22 Q. Under the issue of corporate cost  
23 altercations, do you -- how do you respond to the  
24 suggestion by some of the parties that the allocations  
25 that the Company is recommending would result in MoPub

1 customers paying more than their share of the  
2 corporate costs?

3 A. I disagree with that, and let me explain  
4 why. The allocation concept that we have put within  
5 the regulatory plan is that the only reason the  
6 corporate allocation is changing in relation to MPS is  
7 because of the merger. If the merger was not taking  
8 place, the corporate allocations, per se, would stay  
9 as they would be now.

10 There are changes that happen year to year  
11 and the drivers of the allocation factors, but the  
12 overall allocation factors would not have a material  
13 change. The only reason that change is taking place  
14 is that we're acquiring St. Joe Light & Power, and the  
15 main drivers to the allocation factors are revenue,  
16 assets, and employees. So by bringing those in, that  
17 does change the allocation factors to MPS and would  
18 lower them.

19 Well, what we've done is say, we have two  
20 options. Since it is a savings, then, being realized  
21 to MPS, do we put a premium over there and match up  
22 with that savings as we're doing in St. Joe, or do we  
23 keep those factors out and let the savings go to where  
24 the premium is up in St. Joe?

25 That's what we've chosen to do. We did not

1 change the MPS allocation factor because we're keeping  
2 all of the premium that we're putting on the books up  
3 at St. Joe Light & Power, so we're trying to keep all  
4 of the savings up there to match up with it.

5 COMMISSIONER MURRAY: Okay. I believe  
6 that's all of the questions I have for you.

7 Thank you.

8 THE WITNESS: Thank you.

9 JUDGE WOODRUFF: Commissioner Schemenauer?

10 COMMISSIONER SCHEMENAUER: No questions.

11 JUDGE WOODRUFF: Commissioner Simmons?

12 COMMISSIONER SIMMONS: No questions.

13 JUDGE WOODRUFF: All right. Recross based  
14 on the questions from the Bench, St. Joseph Light &  
15 Power?

16 MR. COMLEY: No questions.

17 JUDGE WOODRUFF: UE is not here.

18 Natural Resources?

19 MS. WOODS: No questions.

20 JUDGE WOODRUFF: AgP?

21 MR. CONRAD: Nothing based on Bench  
22 questions.

23 JUDGE WOODRUFF: Springfield is not here.  
24 Public Counsel?

25 MR. MICHEEL: I don't think so.

1 JUDGE WOODRUFF: Staff?  
2 MR. FREY: No. Thanks, your Honor.  
3 JUDGE WOODRUFF: Any redirect?  
4 MR. SWEARENGEN: No redirect. Thank you.  
5 JUDGE WOODRUFF: You may step down.  
6 (EXHIBIT NOS. 7 AND 8 WERE MARKED FOR  
7 IDENTIFICATION.)  
8 JUDGE WOODRUFF: Raise your right hand.  
9 (Witness sworn.)  
10 JUDGE WOODRUFF: Thank you.  
11 You may be seated.  
12 MR. SWEARENGEN: Mr. Siemek's testimony --  
13 his Direct Testimony is Exhibit 7, his Surrebuttal is  
14 Exhibit 8. I would offer those two pieces of  
15 testimony into evidence, and tender the witness for  
16 cross-examination.  
17 JUDGE WOODRUFF: I believe he will be  
18 testifying again later?  
19 MR. SWEARENGEN: He will be testifying  
20 later. He's here now on corporate allocation.  
21 JUDGE WOODRUFF: Okay. Cross-examination  
22 then, St. Joseph Light & Power?  
23 MR. COMLEY: Thank you. No.  
24 JUDGE WOODRUFF: UE is not here.  
25 Natural Resources?

1 MS. WOODS: Nothing. Thank you.  
2 JUDGE WOODRUFF: AgP?  
3 MR. CONRAD: No questions, your Honor.  
4 JUDGE WOODRUFF: Springfield is not here.  
5 Public Counsel?  
6 MR. MICHEEL: No.  
7 JUDGE WOODRUFF: Staff?  
8 VERN J. SIEMEK testified as follows:  
9 CROSS-EXAMINATION BY MR. FREY:  
10 Q. Mr. Siemek, is that how your name is  
11 pronounced?  
12 A. Yes, sir.  
13 Q. Do you have your Surrebuttal Testimony with  
14 you?  
15 A. Yes, sir.  
16 Q. Would you refer, please, to Pages 5 and 6 of  
17 your Surrebuttal, and, in particular, on Page 5,  
18 Lines 13 to 22 and Lines 1 to 8 on Page 6?  
19 I'd just like to ask you if you are  
20 asserting, are you not, that Mr. Traxler's reliance on  
21 actual increased costs allocated to MPS from UCU for  
22 the years 1997 through 1999 is inappropriate due to  
23 the impact of UCU's reengineering projects; is that  
24 correct, sir?  
25 A. Yes.

1 Q. And after completion of the projects,  
2 information technology personnel began charging their  
3 time to expense functions as opposed to capitalizing  
4 their time related to reengineering projects.  
5 Expense -- expensing their labor costs rather than  
6 capitalizing those costs results in a higher level of  
7 costs allocated to MPS and other divisions; is that  
8 correct?

9 A. That's correct.

10 Q. Am I correct that you are not asserting that  
11 MPS did not receive an allocated share of all costs  
12 reflected on Schedule SMT-5, Line 3, which reflects  
13 UCU's total cost to you?

14 A. I don't have a copy of SMT-5 up here.  
15 That's Staff's schedule.

16 Q. All right. We are unable to provide that at  
17 this time. Thank you.

18 After completion of UCU's reengineering  
19 projects, did UCU significantly eliminate the number  
20 of IT personnel on its payroll between 1995 and 1999?

21 A. I don't know. I'm not -- I don't have the  
22 answer to that, sir.

23 Q. If the IT people who were assigned to the  
24 reengineering project are still employed by UCU, then  
25 the increases in the UCU costs allocated to MPS which

1 occurred in those years, 1997 through 1999, represent  
2 an ongoing expense to MPS because these people are  
3 still employed; isn't that correct?

4 A. It would represent an ongoing expense to  
5 UCU, yes.

6 Q. Right. Thank you.

7 How many employees were eliminated and what  
8 was the annual reduction in payroll costs allocated to  
9 MPS as a result of this permanent employee  
10 reduction -- I'm sorry. I'm sorry. Set that aside.  
11 Withdraw that question.

12 If, in fact, UCU has not significantly  
13 reduced IT personnel, its information technology  
14 personnel, then the increased cost from shifting their  
15 time to expense functions you were addressing is an  
16 expense that is continuing to be allocated to MPS as  
17 you speak, is it not? I think you indicated that was  
18 the case.

19 A. It continues to be expensed, but when you  
20 look at a pattern of costs from year to year, it  
21 affects the pattern.

22 Q. Are you aware that MPS presented an issue to  
23 the Commission in its last rate case, ER-97-394,  
24 regarding the impact of UCU's reengineering projects  
25 on the computer systems maintenance expense reflected



1 in the test year used for that case?

2 A. No.

3 MR. FREY: I have here, your Honor, a copy  
4 of both the Hearing Memorandum which has been filed in  
5 that case as well as the Commission Order in that  
6 case. I misplaced it, but I have it here. Trust me.

7 JUDGE WOODRUFF: Are you going to offer that  
8 as an exhibit?

9 MR. FREY: It's not my intention to do that,  
10 your Honor.

11 Here it is, the Commission Order. I  
12 apologize for the delay here.

13 And I would like to approach the witness, if  
14 I could.

15 JUDGE WOODRUFF: You may.

16 BY MR. FREY:

17 Q. Can you identify that document, sir?

18 A. I believe it's labeled as a Hearing  
19 Memorandum from Case No. ER-97-394, Case ET-98-103,  
20 and Case EC-98-126 before the Missouri Public --  
21 before the Public Service Commission of the State of  
22 Missouri.

23 Q. Okay. Thank you.

24 And could you please turn to Page 13 of that  
25 hearing memo -- memorandum?

1 A. (Witness complied.)

2 Yes.

3 Q. And would you mind reading, please, sir --  
4 does -- Page 13 identifies a topic known as -- called  
5 "System Maintenance Expense"?

6 A. Yes.

7 Q. Could you read, then -- turn, please, to  
8 Page 14, and read the last paragraph beginning with  
9 the word "test"?

10 A. "Test year operating maintenance is  
11 abnormally low because maintenance of legacy systems  
12 was suspended and employees were transferred to the  
13 reengineering effort where their loaded payrolls were  
14 capitalized rather than expensed."

15 Q. Continue, sir, just a couple more sentences.

16 A. "New information technology systems are  
17 being implemented using a client server technology  
18 which is more expensive to maintain than the legacy  
19 systems. MPS requests restoration of maintenance  
20 expense to historical levels adjusted for inflation  
21 without regard to increased costs associated with the  
22 new system (paper rebuttal page 17)"

23 Q. Okay. Thank you. That's enough.

24 A. Oh.

25 Q. Would you agree, sir, that these issues, the

1 one you just read concerning -- and the one we're  
2 talking about here, are somewhat related?

3 A. This appears to be one -- one element of  
4 what I was referring to.

5 Q. Okay. Does that document refer to the  
6 reengineering costs essentially to which you have been  
7 addressing yourself?

8 A. Well, actually, I address the reengineering  
9 projects in total, and there are a number of impacts  
10 from the reengineering projects. This is the payroll  
11 cost associated with the completion of the projects  
12 themselves, the system-designed implementation. I  
13 presume.

14 Q. Is it true, sir, that there the Company is  
15 referring to the transfer of labor dollars from  
16 capital accounts to expense accounts as a result of  
17 the fact that the projects have been completed?

18 A. No, I don't believe so.

19 Q. Do you happen to know who would -- who  
20 prevailed with regard to that issue? I believe Staff  
21 opposed the Company on that issue in that particular  
22 rate case. Do you happen to know which side prevailed  
23 in that case?

24 A. No. On that issue, no, sir, I do not.

25 MR. FREY: Okay. I'd like to approach the

1 witness again if I could, your Honor.

2 JUDGE WOODRUFF: You may.

3 MR. FREY: Thank you.

4 BY MR. FREY:

5 Q. Can you identify that document, Mr. Siemek?

6 A. It's titled, "The Report and Order" on --  
7 from -- before the Missouri -- before the Public  
8 Service Commission of the State of Missouri, issued  
9 March 6, 1998 for Cases ER-97-394, Case ET-98-103, and  
10 Case EC-98-126.

11 Q. Thank you.

12 And you don't have to read aloud, but  
13 would you just read to yourself the last paragraph on  
14 Page 18 of that document?

15 A. (Complied.)

16 Yes.

17 Q. And I would like to ask you, sir, have you  
18 provided or has evidence been provided, testimony or  
19 otherwise, to indicate a quantification of the dollars  
20 associated with the reengineering costs? This is in  
21 support of your testimony.

22 A. Sorry.

23 MR. SWEARENGEN: Are you talking about in  
24 the case?

25 MR. FREY: No. I'm sorry. In this case.

1 MR. SWEARENGEN: By "this case," you're  
2 talking about the merger case that's pending before  
3 the Commission?

4 MR. FREY: Right, the merger case.

5 MR. SWEARENGEN: Okay.

6 THE WITNESS: And would you repeat the  
7 question, please? I was focused on the order.

8 BY MR. FREY:

9 Q. Okay. Has any evidence been provided to  
10 indicate how much -- how many dollars are associated  
11 with these reengineering costs of which you speak?

12 A. There may have been a data request that  
13 responded to that specific question.

14 Q. Okay. I'm referring to their impact on '97,  
15 '98 and '99. Does your answer stand?

16 A. Other than the data request, I'm -- I am not  
17 aware of any specific.

18 Q. So it's your testimony that that information  
19 has been provided to the Staff?

20 A. I believe a data request requesting that  
21 type of information was provided to the Staff.

22 Q. Okay.

23 A. I do not recall the number.

24 MR. FREY: Thank you, sir.

25 I have no further questions, your Honor.

1 JUDGE WOODRUFF: Thank you.  
2 Let's go to questions from the Bench then.  
3 Commissioner Murray?  
4 COMMISSIONER MURRAY: I don't have any  
5 questions. Thank you.  
6 JUDGE WOODRUFF: Commissioner Schemenauer?  
7 COMMISSIONER SCHEMENAUER: No questions.  
8 JUDGE WOODRUFF: Commissioner Simmons?  
9 COMMISSIONER SIMMONS: No questions.  
10 JUDGE WOODRUFF: No recross. Any redirect?  
11 MR. SWEARENGEN: No redirect.  
12 JUDGE WOODRUFF: Pardon me?  
13 MR. SWEARENGEN: No redirect.  
14 JUDGE WOODRUFF: Okay. Thank you.  
15 You may step down then.  
16 THE WITNESS: Thank you.  
17 JUDGE WOODRUFF: And at this point we will  
18 adjourn until 8:30 tomorrow.  
19 Off the record.  
20 WHEREUPON, the hearing of this case was  
21 continued to 8:30 a.m., Thursday, July 13, 2000.

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