

1 thought about the proposed merger before you agreed to it?

2 A. No, we did not. And I don't believe it's
3 appropriate to do that.

4 Q. Did you ask your employees their views about
5 the proposed merger before your board agreed to the merger?

6 A. In a general sense, no.

7 Q. If the merger's consummated, how much are your
8 stock options worth?

9 A. I'm not sure I've figured that out. In fact,
10 I know I haven't.

11 Q. Let me ask you this. How many stock options
12 do you have?

13 A. I have no stock options.

14 Q. They all have been vested?

15 A. I've never had stock options. Our company's
16 not had a stock option program for employees. The directors
17 have stock options.

18 Q. Are you a director of St. Joe Light & Power?

19 A. Okay. Let me restate that. Non-employee
20 directors have a stock option plan. I do not.

21 MR. MICHEEL: Thank you very much. I'm
22 finished.

23 JUDGE WOODRUFF: Thank you.

24 For Staff then?

25 MR. DOTTHEIM: Yes.

1 CROSS-EXAMINATION BY MR. DOTTHEIM:

2 Q. Mr. Steinbecker, Mr. Micheel was discussing
3 with you the limited auction process that St. Joseph Light &
4 Power engaged in. How does that differ from what you would
5 characterize a full auction process?

6 A. I guess I would characterize it -- a full
7 auction process you basically announce to the world that
8 your company is for sale. And a limited auction process is
9 obviously much more discreet than that. You strive very
10 diligently, in fact, to try to maintain confidentiality of
11 the fact that your company is for sale.

12 Q. St. Joseph Light & Power didn't undertake
13 negotiations with individual potential buyers, did it?

14 A. Directly, no.

15 Q. Did St. Joseph Light & Power engage in the
16 limited auction process because it thought it was in the
17 best interest of shareholders?

18 A. We thought it was in the best interest of all
19 of our constituencies. An out-and-out full scale auction we
20 thought was in no one's best interest, because it's very
21 easy to use -- lose control of that process and we thought
22 that was not in the best interest of shareholders,
23 customers, employees, communities.

24 So we chose a limited auction process to
25 create some competition and to get what we thought would be

1 a better price for our shareholders as well as a better
2 situation for our other constituencies.

3 MR. DOTTHEIM: May we go off the record a
4 moment?

5 JUDGE WOODRUFF: Off the record for a moment.

6 (AN OFF-THE-RECORD DISCUSSION WAS HELD.)

7 JUDGE WOODRUFF: We're back on the record.

8 BY MR. DOTTHEIM:

9 Q. Mr. Steinbecker, I'd like to hand you a copy
10 of the transcript of an informal interview --

11 A. Yes.

12 Q. -- that Staff conducted with you on March 23
13 of this year. And I'd like to direct you to page 45, and
14 the process involving informal interviews. It was members
15 of the Staff who asked you questions, was it not?

16 MR. COMLEY: Let me at this point object for a
17 moment. I want to make it clear that Mr. Dottheim and I
18 have discussed off the record the treatment of the
19 transcript of Mr. Steinbecker's interview.

20 The record will reflect that all pages of that
21 interview are considered highly confidential. However, with
22 respect to page 45, Mr. Dottheim and I have agreed that
23 questions can be asked of the witness about that page.

24 Most of the bulk that's on that page has been
25 in the proxy statement. But with respect to the remainder

1 of the transcript, we still reserve our right to object that
2 it is highly confidential and needs to be examined under
3 in-camera procedures. With respect to page 45, to the
4 extent it's not in the proxy statement, we reserve the
5 highly confidential treatment it deserves.

6 JUDGE WOODRUFF: If you wish to make an
7 objection to specific questions, feel free to do so.

8 MR. COMLEY: Thank you.

9 JUDGE WOODRUFF: You may proceed,
10 Mr. Dottheim.

11 BY MR. DOTTHEIM:

12 Q. The interview was transcribed by a court
13 reporter or stenographer, was it not?

14 A. That's correct.

15 Q. And present at the informal interview was --
16 in addition to the Staff, there was Mr. Gary L. Clemmons of
17 UtiliCorp United; Mr. James C. Swearengen of Brydon,
18 Swearengen and England; Mr. Gary L. Myers; and Mr. Tim Rush
19 of St. Joseph Power & Light Company; and Mr. Mark W. Comley
20 of Newman, Comley and Ruth?

21 A. Yes. That's correct.

22 Q. And after the interview was transcribed, you
23 were given an opportunity to review the transcript and make
24 any corrections you thought were appropriate?

25 A. Yes, I was.

1 Q. And you made such corrections?

2 A. Yes.

3 Q. I would like to direct you specifically to
4 page 45, and I'd like to read a few questions and answers
5 from that page. The individual asking the question was
6 Mr. Mark Oligschlaeger of the Staff?

7 A. Yes.

8 Q. And, of course, you were the person being
9 interviewed?

10 A. Uh-huh.

11 Q. Okay. "Question: And certainly you had other
12 alternatives available to you to pursue a merger transaction
13 if you wanted to. Why was it thought best to do the limited
14 auction route?

15 "Answer: Why did we choose a limited auction?

16 "Question: Yes.

17 "Answer: Well, we thought, you know, you
18 either do an all-out auction where you kind of almost in
19 effect put a for sale sign on your front door and all comers
20 are welcomed. And we thought you'd lose control at that
21 point and that's not in the best interest of any of our
22 constituencies, shareholders, customers, employees or
23 communities to do that. Plus, we didn't think it would be
24 any more effective than a limited auction.

25 The other alternative, of course, is to just

1 go to an individual company and negotiate a transaction. We
2 felt in our particular situation that a limited auction
3 where we did get a competitive situation going would be in
4 the best interest of our shareholders so we took that
5 route."

6 Did I read accurately from page 45 of the
7 transcript?

8 A. Yes, you did.

9 Q. And those were the questions and --

10 A. That was my answer.

11 Q. -- your answer as reflected in the transcript?

12 Mr. Steinbecker, were you involved in
13 developing the merger regulatory plan for this proceeding?

14 A. No, I was not.

15 Q. To your knowledge, was any employee of
16 St. Joseph Light & Power involved in developing the merger
17 regulatory plan?

18 A. We were not directly involved.

19 Q. Mr. Steinbecker, on June 23 last month, did
20 St. Joseph Light & Power file an application for an
21 Accounting Authority Order?

22 A. I'm checking the date. Yes, we did.

23 Q. And that Accounting Authority Order is in
24 regards to an unplanned outage at Lake Road Power Plant
25 Unit 46?

1 A. Yes, it -- yes, it was.

2 Q. Is that application for an Accounting
3 Authority Order tied in any manner to the pending merger?

4 A. In my opinion, no. What that Accounting
5 Authority Order is, is a process we chose to undertake
6 because of the significant unplanned cost that we are going
7 to encounter as a result of the Lake Road incident. It's a
8 process that we've used in the past on -- three occasions
9 come to mind and some -- and somewhat recently to recover
10 unplanned costs such as this. And so we took that approach
11 in this situation also.

12 Q. Do you recall whether it is stated in the
13 Accounting Authority Order that if the merger with UtiliCorp
14 is approved by the Commission as set out in the regulatory
15 plan filed by UtiliCorp United, the Accounting Authority
16 Order application will not be necessary because St. Joseph
17 Light & Power will write off the amounts incurred as a
18 result of the June 7, 2000 incident?

19 A. I'm reading that section now. Let me just --
20 if the merger is approved by the Commission -- I'll just
21 read the section. If the merger is approved by the
22 Commission as set out in the regulatory plan filed by
23 UtiliCorp United Inc. However, and this application is also
24 approved it is SJLP's understanding that at the closing of
25 the merger SJLP write off the amounts incurred as a result

1 of the June 7, 2000 incident as a rate moratorium would be
2 in place for five years under the regulatory plan.

3 So, yes, I agree with what you said.

4 MR. DOTTHEIM: Thank you. I have no further
5 questions.

6 JUDGE WOODRUFF: We'll move then to questions
7 from the Bench starting with Chair Lumpe.

8 QUESTIONS BY CHAIR LUMPE:

9 Q. Mr. Steinbecker, I think in your testimony you
10 talked about some of the reasons for wanting to merge with
11 UtiliCorp. And one of them had to do with customer choice,
12 that UtiliCorp is committed to customer choice and so is
13 St. Joe; is that correct?

14 A. Yes.

15 Q. That is your position, that you've been
16 committed to customer choice?

17 A. Generally, that's true. Frankly, I think it's
18 almost at this point somewhat of a moot point whether
19 anyone's committed to it. My expectation is it's going to
20 occur, it has occurred in several states across the country
21 already. The momentum has recently picked up at the federal
22 level. And so we're committed to doing the best job we can
23 in an industry that's headed to customer choice.

24 Q. So if the merger occurred, then there would
25 even be a stronger voice for customer choice?

1 A. I think they bring a different level of
2 experience and in some cases preparation, if you will, for
3 customer choice. They also bring what I think is very
4 important for customer choice, it's an economy of scale that
5 we don't have.

6 Customer choice to me means competition. And
7 as one of the smallest, if not the smallest, investor-owned
8 electric utility in the country, I think the business risks
9 that go hand in hand with competition -- to our board it was
10 not wise to go forward with that. The better strategy was
11 to be acquired by a larger organization who brings that
12 economy of scale and can better handle competition and be
13 successful in a competitive environment.

14 Q. The only other question I have is when you
15 talked about a full auction not being in the best interest
16 because you lose control. Would you discuss that a little
17 more? How would you lose control?

18 A. Well, I -- to me the -- you lose control
19 almost day one in the fact that you make that announcement
20 so the headlines in the newspaper the next day, whether
21 local or in the financial markets, if you will, St. Joseph
22 Light & Power Company is for sale. Well, everyone's
23 expectation then is it will be sold.

24 And certain things happen as a result of that,
25 including the employees becoming aware of something like

1 that and making decisions at that point in time is one
2 example that comes to mind.

3 And my point is, is that through a limited
4 auction process, again, the confidentiality is very
5 critical. There's not a -- what I would call a premature
6 announcement and attendant conclusion as a result of that
7 announcement that it will happen before there's any
8 examination at all or discussions with any potential
9 acquirers.

10 A limited auction maintains the
11 confidentiality until there has been a purchase agreement
12 entered into with another company. Then the announcement is
13 made and the constituencies become aware of it. But at that
14 point, there's a much more likelihood that there will be a
15 merger. And I think the harm -- what I would call the harm
16 created by the total auction process is eliminated -- or the
17 potential harm, I should say.

18 Q. So a full auction is a more public process --

19 A. Very much.

20 Q. -- than the limited auction?

21 A. Yes. Very much public right at the front end
22 before anything has really been decided.

23 Q. And the harm is --

24 A. I think --

25 Q. -- well, you mentioned the employees

1 definitely, they would be considering what their future was,
2 etc. Who else would be harmed?

3 A. Well, I think given expectations, you know,
4 all of the constituencies, communities, customers and
5 employees. And by harm, what I'm saying, I think they could
6 make some premature decisions that may not be in their best
7 interest, because it's so very early on in a process that
8 eventually may not be successful.

9 So at this -- doing a limited auction -- and
10 it's not like a limited auction, nobody has time to react to
11 this. The point I was trying to illustrate -- let me try to
12 illustrate it this way. In a limited auction nothing was
13 made public until there was an actual decision on the
14 parts -- on the part of both boards of directors to go
15 forward with this merger. That announcement was made on
16 March 5 of 1999.

17 But, again, at that point, the probability of
18 it occurring is very real and probable. And yet then the
19 constituencies, I think, receive much more solid
20 information, reliable information, but they still have a
21 very long lead time to react to that.

22 CHAIR LUMPE: Thank you. That's all I have.

23 JUDGE WOODRUFF: Vice-chair Drainer.

24 QUESTIONS BY VICE-CHAIR DRAINER:

25 Q. Good morning.

1 A. Good morning.

2 Q. I just have a couple questions. First, do you
3 believe then that this merger is going to be not detrimental
4 to the public interest for your customers?

5 A. Absolutely, yes.

6 Q. And do you also believe that it will be in
7 their interest to have this merger?

8 A. Yes, I do. As I look ahead and see what this
9 merger brings, again, the two most prominent things in my
10 mind -- well, I guess I'd cite three things. One, the
11 stable prices. There's evidence that you will see later in
12 the week where we expect rate increases to occur within the
13 next five-year period if we're left as a stand-alone company
14 compared to a rate freeze. Obviously that's better for the
15 customer.

16 Again, given the deregulated wholesale
17 marketplace that we're in today as well as where we're
18 headed with a totally deregulated industry, I think the
19 economy of scale that UtiliCorp brings to our customers is
20 in their best interest regarding a more reliable and price
21 effective supply of energy.

22 And the other thing I would mention is that
23 I -- given, their economy of scale and, in fact, their
24 existing menu of products and services, they bring more
25 products and services to our customers than we are able to

1 provide at this point. And I think, again, a lot of that
2 has to do with economy of scale.

3 Q. So do you believe then that if this merger is
4 not approved, that it could be detrimental to the customers
5 of St. Joseph because their rates will go up?

6 A. Well, that would certainly -- that is my
7 expectation and that is what our testimony is about, yes.
8 That if this merger is not approved, we would expect to file
9 for price increases in the next five-year period as often as
10 a couple of times.

11 And given the incident that Mr. Dottheim has
12 mentioned, the incident at Lake Road regarding our 46 unit,
13 you know, it's possible that would result in a price
14 increase that is not included in our five-year forecast,
15 because obviously it was unexpected.

16 Q. And do you believe that the merger activities
17 that we see in the electricity industry are just because of
18 the possible restructuring of the regulatory environment
19 with respect to electricity, or are there other elements
20 that are affecting the merger activities?

21 A. I think there's other elements, but I think
22 that's the driving force though, smaller companies looking
23 ahead at a very different environment. And, in fact, just I
24 think last week another one of the -- Banger Hydro -- and
25 I'm not sure if they rank a little bit above us or a little

1 bit below us, but they're another small utility. But
2 they're the ones -- the most recent small utility to
3 announce a merger.

4 But I think that is the main driver behind
5 that. To me it gets to an economy of scale issue hand in
6 hand with a much increased business risk going into a new
7 environment. And I think companies are realizing that it's
8 in the best interest of all their constituency to become a
9 part of a larger player so they can have a better chance of
10 being successful both for the shareholder as well as
11 providing a better service to their customers.

12 Q. Okay. And, finally, I wanted to clarify.
13 Mr. Micheel with the Office of the Public Counsel asked you
14 some questions about the loss of jobs with the merger. And
15 I want to be clear.

16 I think what I heard you say was that there
17 would be a third of the job positions eliminated, but that
18 didn't necessarily mean a third of the employees would be
19 eliminated because any other jobs that were open, either
20 because of openings from, say, retirement or attrition in
21 those areas, they would have opportunities to apply for
22 those jobs?

23 A. Yes. That's my understanding. Again, I -- I
24 don't have the ability to sit here and say how many people
25 will be out of a job. Frankly, I don't think -- my hope is

1 that none of our employees will be out of a job. Now, that
2 doesn't mean necessarily they'll all be -- remain with
3 UtiliCorp, but I do know UtiliCorp literally has -- I think
4 it's hundreds of job openings throughout their large
5 organization. So that's certainly one opportunity.

6 But the -- the point I would make is that --
7 and it's been brought up here -- while our employees are
8 concerned, I'm very proud of what is in place for them given
9 the potential merger. I think it's as good a situation as
10 one could expect.

11 Again, two-thirds will remain in place. The
12 remaining third will certainly, if they desire, have an
13 opportunity for other positions with UtiliCorp. We've
14 already had 60 employees move on to other careers or retire.

15 If employees do not have a position with
16 UtiliCorp, there's a severance package in place. We have a
17 very strong economy, as strong an economy as we've had in
18 many years. So that, again, for those who choose to go on
19 in other careers, they have a great opportunity to do that.

20 So I think overall I do not see a serious
21 detriment, if at all, to our employees. In fact, I think
22 they'll all be employed either with the surviving company or
23 with other careers as they choose.

24 Q. Mr. Micheel said something that they would
25 have an opportunity with UtiliCorp to ask for a job just as

1 he would, I believe he said. I do hope he would retire from
2 the Office of the Public Counsel before he would pursue that
3 position.

4 But, seriously, I think what he was really
5 saying was their opportunities would be no more than anybody
6 else's. And I guess what I would ask is, those employees
7 that are with St. Joseph now, would they be considered first
8 in the new organization before any individuals outside of
9 the company?

10 A. I'm not sure of that, and I think that would
11 best be answered by a UtiliCorp representative.

12 Q. Would you hope that they would be considered?

13 A. Well, again, I would hope that their
14 experience with our company would speak volumes for their
15 abilities as well as their qualifications to fill similar
16 jobs within the UtiliCorp organization.

17 VICE-CHAIR DRAINER: Okay. Thank you. No
18 other questions.

19 JUDGE WOODRUFF: Commissioner Murray?

20 COMMISSIONER MURRAY: Thank you.

21 QUESTIONS BY COMMISSIONER MURRAY:

22 Q. Good morning, Mr. Steinbecker.

23 A. Good morning.

24 Q. If this Commission were to approve the AAO
25 that has been sought for the June 7th incident --

1 A. Yes.

2 Q. -- and the merger did not take place, would
3 you expect that the rates for the customers would increase
4 as a result of that?

5 A. Well, as we mentioned -- yes. The answer to
6 that is yes. As we state in our application, what we're
7 requesting the Commission to do would be to defer those
8 costs until they can be considered by the Commission in our
9 next rate case filing.

10 Q. And are you saying that you would also expect
11 the rates to increase even absent the AAO?

12 A. Yes. That's correct. Our forecast would show
13 a price increase is required to maintain a proper level of
14 earnings. I think our forecast shows two increases in the
15 next five years. And that's testimony presented by other
16 Light & Power witnesses.

17 Q. All right. And in terms of where St. Joseph
18 Power & Light Company has customers, is that totally
19 confined to the state of Missouri?

20 A. Yes. We operate just in the state of
21 Missouri.

22 Q. Okay. And in Mr. Green's testimony, he spoke
23 about the need for approval of this merger by four other
24 states and three federal agencies. Are you familiar with
25 that?

1 A. Generally, yes.

2 Q. Do you know anything about the proceedings in
3 the other states?

4 A. My understanding is all other states'
5 approvals required for this merger has -- have been
6 received. The other State Commissions have approved the
7 merger.

8 Q. Okay. At the time at least of his original
9 testimony -- and I haven't double checked the later
10 testimony, but it had been approved by Colorado and West
11 Virginia. But it's your understanding that it's been
12 approved by all of the states at this point?

13 A. That's my understanding.

14 Q. Okay. And the other states, do you have any
15 idea what their standards of review are for mergers?

16 A. I'm not aware of that, but I think it's -- you
17 know, it's obvious where we don't operate in their state,
18 it's, you know, maybe a different -- what I would say,
19 there's different issues for them to consider.

20 Q. Would you agree that this is the only state
21 that would be considering the interests of the customers of
22 St. Joseph and the employees of St. Joseph Power & Light
23 Company?

24 A. Certainly this is the primary jurisdiction to
25 consider that, yes.

1 Q. Okay. And do you know if anyone in any of the
2 other states has raised the issue of reliability that was
3 raised by the City of Springfield in this case?

4 A. I do not know.

5 COMMISSIONER MURRAY: Okay. Thank you.
6 That's all the questions.

7 JUDGE WOODRUFF: Commissioner Schemenauer?

8 COMMISSIONER SCHEMENAUER: Thank you, your
9 Honor.

10 QUESTIONS BY COMMISSIONER SCHEMENAUER:

11 Q. Good morning, Mr. Steinbecker.

12 A. Good morning.

13 Q. Just a few questions. In your direct
14 testimony on page 4 you list that seven companies were on a
15 list of potential merger partners, and subsequently you
16 received expressions of interest from three of the
17 companies, one of which was UtiliCorp; is that correct?

18 A. That's -- yes. I would just -- you know, to
19 clarify the record, we started out with an original list of
20 seven. One -- another company found out about it in the
21 process and then came into it later. So I guess the total
22 population you'd consider were eight companies. And we --
23 three of those companies then took that initial step of an
24 initial indication of interest.

25 Q. Okay. Then my next question is, if this

1 merger is not consummated, either because of regulatory or
2 some other outside circumstances, would St. Joe Power &
3 Light seek another merger partner?

4 A. I really can't answer that at this point. We
5 would certainly have to re-group, and that would be, you
6 know, one of the strategies that would be considered. The
7 main thing we'd do, of course, is -- in the short term make
8 sure that we do everything to continue to supply our
9 customers with the same high quality that we have in the
10 past.

11 We've talked about other things -- some other
12 things this morning. One of those would be that we'd
13 certainly have to consider our next action on the Accounting
14 Authority Order. And that is not intended in any way to be
15 some kind of a threat. The reality of it is, like it or
16 not, we're going to incur an additional unplanned expense of
17 as much as \$7-plus million.

18 Now, for a company our size, you're talking
19 50 percent of our earnings. So we're going to have to take
20 some action there, as we've stated in our Accounting
21 Authority Order application.

22 Q. That unplanned expense that you've just
23 reiterated, that expense is going to be there no matter who
24 owns St. Joe Power & Light; is that correct? Whether it's
25 UtiliCorp or --

1 A. Well, that expense will have been incurred
2 actually in the next, you know, month or two depending upon
3 when the unit is put back in service.

4 Q. So the effect of that expense is going to have
5 to be born by the current shareholders of St. Joe Power &
6 Light and not UtiliCorp?

7 A. Well, I think the point is, is that what we're
8 seeking to do there is --

9 Q. Is delay?

10 A. -- again, if we remain an independent company,
11 we seek to recover that in future years.

12 Q. Okay.

13 A. Now, if the merger is approved with the
14 regulatory plan given the five-year rate freeze, then there
15 will not be a filing to recover those expenses. And under
16 accounting principles, St. Joseph Light & Power Company,
17 given the fact that there is no opportunity for recovery in
18 the future, would have to write those costs off, if you
19 will, expense them at that point in time prior to the
20 merger.

21 Q. Okay. The merger -- I understand the merger
22 conditions are proposed by UtiliCorp United and the recovery
23 of those costs of the merger, including the advisory board
24 and the compensation packages, etc., are being proposed by
25 UtiliCorp to recover a portion of those costs from

1 ratepayers. Based on those merger conditions, from your
2 perspective as St. Joe Power & Light Company's CEO, are any
3 of those deal breakers?

4 And by that I mean, if the acquiring partner
5 or the acquiring company, UtiliCorp, said, We're not going
6 to -- we're going to do away with the advisory board, would
7 that be a deal breaker for St. Joe Power & Light?

8 A. Well, it's -- I guess I would answer it this
9 way. Number one, I don't anticipate them doing that. They
10 have a contractual obligation to do that going forward. So
11 I certainly have a great deal of trust in UtiliCorp and
12 believe they'll follow the agreement that we've entered
13 into.

14 Q. Did St. Joe Power & Light Company propose the
15 advisory board to UtiliCorp?

16 A. Yes, we did.

17 Q. And what other conditions of the merger did
18 St. Joe Power & Light Company propose to UtiliCorp, if any?

19 A. Well, I'm trying to think. The two that I
20 guess stick out most in my mind other than, of course, the
21 main -- primary thing was certainly the price in the
22 negotiation that went on specific to the price to get that
23 to a point where we would agree to be acquired by UtiliCorp.

24 We did suggest the advisory board. We did
25 certainly suggest the community and charitable support. And

1 I'm sure there were other things in the course of our
2 negotiation, but those two are the ones we've talked about
3 this morning and certainly are clear in my mind at this
4 point.

5 Q. Okay. All the other -- all the other cost
6 recovery that UtiliCorp proposes to recover through rates,
7 either additional rate base or expenses, were from UtiliCorp
8 and not St. Joe Power & Light?

9 A. You mean -- the regulatory plan I think is
10 what you're asking there. And, yes. And I think that --
11 you know, you have to understand that they are the surviving
12 corporation going forward. And so I don't think it's
13 inappropriate that they develop the plan and the strategy
14 going forward. But that was done by UtiliCorp as opposed to
15 us.

16 COMMISSIONER SCHEMENAUER: Okay. Thank you.
17 That's all I have.

18 JUDGE WOODRUFF: Commissioner Simmons?
19 QUESTIONS BY COMMISSIONER SIMMONS:

20 Q. By the looks of our clock, I'm going to say
21 good afternoon, Mr. Steinbecker.

22 A. Good afternoon, Mr. Simmons.

23 Q. I'm going to pursue a line of questions that
24 Commissioner Drainer brought up in respect to employees.
25 But, first, did I hear your testimony this morning that you

1 would probably not be with the company should a merger
2 happen?

3 A. That's my expectation, yes.

4 Q. Was that your personal decision, or is that
5 something that occurred within the merger talks?

6 A. It did not occur within the merger talks. The
7 board was very adamant about that as the officers of the
8 company were negotiating this transaction. We were to
9 not -- we were not to have any discussions regarding our
10 future with the company.

11 In -- subsequent to the merger agreement as a
12 part of the transition teams and those sorts of things that
13 went on, it was clear that the five officer positions will
14 be eliminated.

15 Q. Okay. On to the employee questions. Does
16 St. Joe Power & Light have a human resource department?

17 A. Yes. Yes.

18 Q. With that human resource department, would you
19 say that they, in conjunction with your board, would make
20 decisions potentially on how the employees would be treated
21 should a merger happen, or is that something that was left
22 to UtiliCorp to decide in case of job loss?

23 A. It really wasn't driven in any way by the
24 human resources department. And I'm trying to make sure I
25 understand your question.

1 Once the merger was agreed to, then a
2 transition organization, if you will, was put into place.
3 Now, one of those teams was a human resources team. Our
4 people did participate along with people from the HR
5 department of UtiliCorp. The primary drivers were in the
6 respective areas of operation drove the man-- the employee
7 requirement, if you will, in each of the areas.

8 Now, I think in conjunction with that, there
9 were certainly discussions of the human resources nature as
10 to how to handle the employees and other issues, but the
11 level of manpower was mainly driven by the operating
12 transition teams.

13 Q. With respect to that transition team, was
14 there any consideration at any point in time about some kind
15 of strategic transitional plan that would allow for you to
16 assist the employees that may lose their jobs? In other
17 words, trying to help them find jobs if they could not land
18 with UtiliCorp?

19 A. You know, one thing we are doing -- I say "we"
20 meaning St. Joseph Light & Power Company -- we have decided
21 to do this, and I'm sure it was in conjunction with
22 UtiliCorp. But we are going to provide what I would call
23 assistance to all employees regarding how to seek another
24 career.

25 You know, a lot of our employees have been

1 with the company a long time, are not exactly out there
2 looking for jobs recently, let alone within the last few
3 years. So we are going to provide some training for all of
4 our employees to at least if they make that decision, then
5 they will be better prepared to find a job and pursue
6 another career.

7 The other thing I would say is that absent the
8 merger or prior to the merger, is that we do have a
9 severance plan in place for all employees. Now, it is
10 contingent upon length of service and things of that nature,
11 but there is a severance opportunity available for all
12 employees that if -- that may lose their jobs as -- and not
13 have a position with UtiliCorp in the future.

14 Q. Would you say that that was -- or could have
15 been thought of as just as important as, say, the advisory
16 board when you went to UtiliCorp and you said that the
17 advisory board was something that you wanted and something
18 that you thought was important? And I guess we see that as
19 it relates to community matters and things of that nature,
20 that was vitally important for St. Joe Power.

21 Do you think the same thing would have been
22 present with what happens to the employees should they not
23 land in a position and that UtiliCorp should look at at
24 least having an interest in what happens to those employees
25 should they not land with UtiliCorp?

1 A. Well, I think they -- to me, they do have an
2 interest in what happens to the point of being what you can
3 reasonably expect. When we talked about things like
4 advisory boards, community support, how do you handle
5 employees and things like that, one of the things we did was
6 look at other transactions that had taken place.

7 And with the assistance of Morgan Stanley that
8 keeps data such as this, you look for things that I guess
9 you can say are reasonable requests of an acquiring
10 organization. And I think we've done that for all our
11 constituencies on behalf of the customers, employees and
12 communities.

13 And the advisory board was one that was very
14 common. And I think the board felt that it was a reasonable
15 expectation, again, to enhance the transition and to be
16 available to advise UtiliCorp in the best interest of
17 customers as well as communities and possibly employees too.

18 I don't know if issues like that will come up,
19 but the board is there again with the knowledge of how we've
20 operated through the years and I think they lend some
21 assistance regarding employees also.

22 COMMISSIONER SIMMONS: Thank you, sir. That's
23 all the questions I have.

24 JUDGE WOODRUFF: Chair Lumpe?

25 FURTHER QUESTIONS BY CHAIR LUMPE:

1 Q. Mr. Steinbecker, on the AAO again, assume the
2 merger and then because of the rate freeze I think you said
3 you would -- the company would write it off; is that
4 correct? Is that what I heard?

5 A. That's -- that's correct. Again, under
6 accounting principles if there's no realistic expectation of
7 future recovery, those costs have to be written off or
8 expensed.

9 Q. Would not somebody pick up that cost,
10 UtiliCorp's customer, UtiliCorp's shareholders, somebody?
11 Would it not be picked up anywhere?

12 A. Not directly as I see it. Now --

13 Q. Indirectly?

14 A. -- I think maybe indirectly. And I haven't
15 really thought this out, but you know, there will be a date
16 of consummation when there is an actual premium calculated
17 where the price paid for St. Joseph Light & Power Company
18 will be compared to the book value, if you will, as of the
19 date of consummation.

20 Now, if these costs are written off, it will
21 reduce the book value of St. Joseph Light & Power Company.
22 So to that extent, it would impact the amount of the premium
23 that's calculated.

24 Q. So it would be in the premium, not --

25 A. That's my understanding. And I'm kind of --

1 Q. Okay. I was just curious whether it might be
2 shifted to UtiliCorp's customers since they wouldn't be
3 under a rate freeze?

4 A. No. Certainly it's not going to be directly
5 shifted to where there will be a \$7 million hit or anything.
6 Again, it will have been expensed, but it will impact the
7 book value of St. Joseph Light & Power Company, and that
8 does figure into the level of premium in its calculation.

9 CHAIR LUMPE: Thank you.

10 JUDGE WOODRUFF: I have no questions, so we'll
11 go to recross based on questions from the Bench and starting
12 with UtiliCorp.

13 MR. SWEARENGEN: No questions.

14 JUDGE WOODRUFF: And UE?

15 MR. COOK: None.

16 JUDGE WOODRUFF: DNR is not here. AGP?

17 MR. CONRAD: Yes, your Honor.

18 RECROSS-EXAMINATION BY MR. CONRAD:

19 Q. Let me pick back up, Mr. Steinbecker, on Chair
20 Lumpe's questions, see if I understand your response. This
21 is with respect to the AAO and the write off. First of all,
22 as I heard you read that part of the AAO application, it
23 seemed that the language changed there a little bit. Is
24 there an agreement on the part of UtiliCorp to write that
25 off?

1 A. There's not a formal agreement, but we
2 certainly had a meeting with UtiliCorp, informed them of
3 what happened, what our expectations in costs were and
4 indicated the strategy we were going to take with the
5 Accounting Authority Order, and that future recovery -- I
6 mean, we both jointly agreed that future recovery would
7 evaporate if -- the need for future recovery would go away
8 if the regulatory plan and the merger are approved. So they
9 agreed with the strategy.

10 Q. So I take it from your answer that there is no
11 formal agreement. Is there then an informal agreement on
12 their part to write that off?

13 A. Right. We consulted with them and they agreed
14 that it was an appropriate strategy for us to take.

15 Q. Now, at least in my understanding of an
16 informal agreement, it would not be an agreement in writing.
17 Correct?

18 A. Right. We have no agreement in writing.

19 Q. Who were the parties that participated in
20 making this informal agreement, to your knowledge?

21 A. Well, at that meeting that day, Gary Myers and
22 myself represented St. Joseph Light & Power Company, and we
23 met with Jim Miller, John McKinney and Vicki Hyder with --
24 representing UtiliCorp.

25 Q. And when did this meeting occur, sir?

1 A. You know, I'm trying to think. My memory
2 would -- the -- the incident occurred on June the 7th, I
3 believe. I believe that was a Tuesday. I'm not -- I'm not
4 sure. I think it may have been that following Friday, I
5 believe.

6 Q. That is, the following Friday that followed
7 the incident which occurred on a Tuesday?

8 A. That's my memory.

9 Q. Where did that meeting occur, sir?

10 A. At UtiliCorp.

11 Q. Who called that meeting, sir?

12 A. I believe Gary Myers notified Vicki Hyder, who
13 is our day-to-day contact regarding the merger, of the
14 incident and they jointly decided that we needed to come
15 down. And as we knew more facts -- I think Gary advised her
16 the day of the incident and as those two talked, it was
17 decided there needed to be a meeting when more facts were
18 known and certainly keep UtiliCorp informed about the
19 incident.

20 Q. You indicated Mr. Myers initiated the call for
21 the meeting. Correct?

22 A. He initiated the phone call to Vicki to notify
23 her of the incident and jointly they decided on having a
24 meeting.

25 Q. I presume Mr. Myers consulted with you in

1 advance of doing so. Correct?

2 A. That's my memory, yes.

3 Q. When did that meeting occur, sir?

4 A. You know, I think it was probably either the
5 day after or two days after. There was a lot of initial
6 concern, of course, after the incident to do what we needed
7 to do to do as much damage control and make sure we could
8 get our arms around the best way to go forward. And once we
9 settled in on that, then other decisions were to be made and
10 that's when we decided to have the meeting.

11 Q. Was there any memorandum or e-mail submitted
12 between you and Mr. Myers with respect to that meeting?

13 A. No.

14 Q. He just appeared in your office one day and
15 you said, Let's have a meeting, or he said that?

16 A. Well, you have to keep in mind we work on the
17 same floor and obviously it's not a very large office. We
18 see each other daily. And certainly this was a topic we
19 discussed daily following its happening.

20 And I don't remember how exactly the
21 benefits -- or how it all rolled out exactly, but I'm sure
22 it happened similar to that, we saw each other and were
23 discussing it, decided that it was time to have a meeting
24 because we knew more of the facts and were able to have a
25 meeting that would be productive.

1 Q. So your testimony here today is, sir, under
2 oath that there's no written memorandum or e-mail regarding
3 calling that meeting?

4 A. None that I'm aware of.

5 Q. Would you be likely to be aware of such a
6 memorandum if such -- if they exist?

7 MR. COMLEY: Judge, I'm going to object. I
8 don't see any relevancy to the questions that Mr. Conrad is
9 asking and would pose an objection to any continuing
10 questions along these lines.

11 JUDGE WOODRUFF: Can you explain the
12 relevance?

13 MR. CONRAD: Well, I think that's going to be
14 apparent in the next couple questions, but I'll just bring
15 it to that point, why don't we.

16 JUDGE WOODRUFF: The objection will be
17 overruled. You can go ahead and ask your questions.

18 BY MR. CONRAD:

19 Q. I also understand in response to that same
20 line of questions from Commissioner Lumpe that the result of
21 the write-off would be to diminish the book value of
22 St. Joseph Light & Power Company; is that correct?

23 A. That's my understanding, yes.

24 Q. Would that in any way effect the price of the
25 shares that UtiliCorp has agreed in the merger agreement to

1 pay?

2 A. No, it would not.

3 Q. Would the difference between them, that you've
4 characterized as the merger premium, then be expanded by
5 approximately \$7.16 million?

6 A. That would be gross of tax. I think that
7 would be net -- you would have to net -- netted of an income
8 tax effect. But that's one event. You have to keep in mind
9 there will be a true-up as to what the book value is at the
10 date of consummation. Other things may go the other way.

11 Q. Are you aware of any other things that would
12 increase the book value of St. Joe Light & Power between now
13 and the time that you're expecting consummation of this
14 merger in that amount?

15 A. I think we've had some additional earnings
16 since we announced the merger in March of 1999. That
17 certainly increases retained earnings and book value.

18 Q. You indicated this amount was roughly half of
19 your earnings. Correct?

20 A. Yes.

21 Q. Did you double your earnings in the last few
22 months?

23 A. No, we did not.

24 Q. Okay. So the effect of it, whatever the
25 amount might be, would be to increase the amount of the

1 acquisition premium. Am I correct?

2 A. From what it would have been absent this
3 incident, yes.

4 Q. And that is the same acquisition premium that
5 in part and parcel the joint applicants are asking the
6 ratepayers to pick up some portion of. Correct?

7 A. That's correct.

8 Q. Now, Commissioner Lumpe also asked you about
9 customer choice and competition. Do you recall that?

10 A. Yes, I do.

11 Q. Are you aware of any proposals -- and I think
12 in response to her question you made reference to some
13 acceleration that you incurred at the federal level and you
14 characterized the question really as one that was moot. Do
15 you recall using that phrase?

16 A. I do, but I'd have to -- I do, but I'd have to
17 be reminded of the context it was used in.

18 Q. My memory isn't precise either, sir, and I
19 don't want to play memory games with you. I was thinking
20 you had characterized it as moot in the context that it was
21 already proceeding.

22 A. I remember now. She was asking if we were
23 pro-customer choice. And I said, you know, whether we are
24 or not has become somewhat of a moot point. Years ago there
25 was a big debate should we do it or should we not do it. My

1 point is that I think that debate's over. It's just a
2 matter of how we're going to do it now.

3 Q. Now, are you aware of any proposals that have
4 been made that would involve the deregulation of the
5 distribution system?

6 A. No. Generally the proposals I have seen all
7 maintain that the distribution system would remain
8 regulated.

9 Q. So the choice that the customer would have in
10 competition would solely be as to the source of the
11 generation of electrons. Correct?

12 A. Yeah. The supply side.

13 Q. Now, Commissioner Drainer asked you about your
14 belief that the proposal was not detrimental. Do you recall
15 that line of questions from the Commissioner?

16 A. Yes, I do.

17 Q. I wanted to ask you a question, sir. If there
18 were two utilities with equal cost structures and equal
19 customer mix in my hypothetical, and each one incurred the
20 same cost of generation, the same cost of operation, had the
21 same tax structure, in all manners that we could identify
22 these two utilities were equal, but one had higher rates
23 than the other, would you agree with me that the customers
24 of the utility that had higher rates could be viewed as
25 receiving a detriment with respect to the customers of the

1 other utility?

2 A. Not necessarily.

3 Q. All things equal other than just the rates?

4 A. Well, if all things were equal, same
5 Commission and everything, I can't imagine the scenario you
6 just painted for me.

7 Q. So your quarrel really isn't with -- or it's
8 with the set of assumptions then and what I'm posing to you.
9 Let's take then a slightly different case. Let's say that a
10 utility's rates are fixed at a particular set of costs. And
11 thereafter those costs decline in total for the utility.
12 Either it's able to arrange cheaper power, operate more
13 efficiently, whatever, but the rates stay the same. Are
14 those customers detrimentally affected?

15 A. I don't think so.

16 Q. Even though they're receiving service at the
17 same rate? Where is the difference going, Mr. Steinbecker?

18 A. Well, if the revenue stays the same, the costs
19 are reduced, the earnings increase.

20 Q. Now, let's assume in that same case that the
21 revenues increase to a point that if people were to look at
22 them, that they would be regarded as unreasonable. I'm not
23 going to ask you to identify what you might think as an
24 unreasonable return, but let's just hypothesize that there
25 is one out there. Would those customers being served at the

1 same rate with costs still dropping, would they be suffering
2 a detriment?

3 A. I don't think so.

4 Q. And, again, the difference in the money, since
5 the costs are dropping, is going into whose pocket, is it,
6 Mr. Steinbecker?

7 A. The customers' prices remain the same, the
8 level of service remains the same. There's no detriment.

9 Q. There's no detriment to the customer even
10 though the customer is being served substantially above the
11 cost of service. Is that your testimony?

12 A. I can't -- again, we can paint all kind of
13 scenarios. I can't imagine that scenario.

14 Q. Just work with that one. I'll acknowledge we
15 can paint a lot of them. Just work with the one I've given
16 you for a moment. Did you understand it, sir?

17 A. No. I think you need to repeat it.

18 Q. All right. I'll try to. You have a utility
19 whose rates are stable, they are fixed, but its costs drop
20 and continue to drop. The revenues stay the same. Your add
21 to the assumption was that the level of service remains the
22 same. My question to you, sir, is where does the -- where
23 do the dollars go, to whose pocket do they go, sir?

24 A. If revenues remain the same, costs are
25 reduced, earnings increase and that goes to the shareholder.

1 Q. And your testimony here, sir, is that the
2 ratepayers of that utility are not detrimentally affected by
3 that situation?

4 A. I don't think so at all.

5 MR. CONRAD: Thank you. That's all.

6 JUDGE WOODRUFF: Springfield?

7 MR. KEEVIL: Nothing, your Honor.

8 JUDGE WOODRUFF: Pubic Counsel?

9 MR. MICHEEL: Yes. Thank you, your Honor.

10 RECROSS-EXAMINATION BY MR. MICHEEL:

11 Q. Chair Lumpe was asking you some questions
12 initially about the limited auction nature of the sale of
13 your company. Do you recall those?

14 A. Yes.

15 Q. And you indicated that you didn't want
16 employees to know beforehand because that might cause some
17 disruption with the employees; is that correct?

18 A. That was one of the constituencies. Again, it
19 would be very premature, in my opinion, for anyone to know,
20 including employees.

21 Q. Same thing with customers; is that correct?

22 A. That's correct.

23 Q. So the employees and the customers find out
24 about the merger after you've inked the merger deal; is that
25 correct?

1 A. That's correct.

2 Q. And so any dissent that those individuals have
3 or may have, St. Joe's board of directors has already signed
4 a merger deal, like in this case; is that correct?

5 A. Prior to their finding out? Yes. That's
6 correct.

7 Q. So that dissent isn't taken into account at
8 that point; isn't that correct?

9 A. There's been no formal consideration face to
10 face with that constituency -- with any of those
11 constituencies, but considerations have been made within the
12 board room concerning those constituents.

13 Q. Fair enough. Vice-chair Drainer asked you
14 some questions respecting whether or not this proposed
15 merger was detrimental to the public interest. Do you
16 recall those questions?

17 A. Yes, I do.

18 Q. And you testified that St. Joe Light & Power
19 is projecting price increases if the merger doesn't occur;
20 is that correct?

21 A. That's correct.

22 Q. And you said that would be a detriment; is
23 that correct?

24 A. I'm not using that word. I'm saying that in
25 the context of the merger being a detriment or not, I'm

1 saying the customers are going to be better off because of
2 the merger.

3 Q. Okay. Those alleged perhaps price increases,
4 those aren't automatic; isn't that correct?

5 A. Certainly they're not automatic. They're
6 subject to approval by the Missouri Commission.

7 Q. And in the bounds of the rate proceeding,
8 Staff, Public Counsel, any other Intervenor, and this
9 Commission would be required to listen to all of the
10 evidence and determine based on a test year whether or not
11 the company needed a rate increase; isn't that correct?

12 A. That's correct.

13 Q. You also talked with Commissioner Drainer
14 about what would occur if -- or I believe it was
15 Commissioner Schemenauer -- if the merger wasn't
16 consummated. Do you remember those questions?

17 A. Yes.

18 Q. Is it also possible that St. Joe Light &
19 Power, for example, could spin off its generation if the
20 merger wasn't consummated?

21 A. I guess it's possible. I don't think it's
22 probable.

23 Q. But that --

24 A. It would certainly be, again, subject to
25 approval of the Missouri Commission.

1 Q. But that's one option your company could
2 investigate; isn't that correct?

3 A. Yes. But I think the seriousness of it would
4 depend on more progress in the state of Missouri towards a
5 deregulated retail market.

6 Q. In response to Commissioner Drainer, you also
7 talked about the increased business risk that your company
8 would be facing in this unregulated environment. Do you
9 recall those questions?

10 A. Yes, I do.

11 Q. Isn't it correct that the rating agencies have
12 already taken into account that business risk at this time?

13 A. I don't know that.

14 Q. Okay. Is your company an A-rated company
15 currently?

16 A. Single A-rated, yes.

17 Q. And at the consummation of the merger, what
18 will your company be rated, if you know, or what will the
19 combined companies be rated?

20 A. I don't know.

21 Q. So you don't know whether or not the combined
22 companies will be rated triple B?

23 A. I don't know what they'll rate our company --
24 the combined organization.

25 Q. Assume for me that the combined organization

1 will be rated triple B. Is that a lesser financial strength
2 than the current A that St. Joe Light & Power has right now?

3 A. It's a lower bond rating.

4 Q. And that indicates a higher level of risk; is
5 that correct?

6 A. There's certainly more risk with a triple B,
7 yes. But I think you have to keep in mind, too, that sure
8 we're single A today. I'm not sure what our rating will be
9 if this merger does not go through. I think there's a
10 chance -- given, again, progress toward deregulation, the
11 size of our company and the attitude of the financial
12 community, I think it's possible we could be downgraded.

13 Q. Do you recall the questions that Commissioner
14 Murray asked you with respect to the Accounting Authority
15 Order application that your company filed on June 7th?

16 A. Generally, yes.

17 Q. Would you agree with me that an Accounting
18 Authority Order does not guarantee any sort of rate recovery
19 of those costs?

20 A. That's correct. What it does is guarantee, I
21 guess -- I don't know if that's the right word, but what it
22 does is give a clear signal of -- well, it does provide
23 authority for us to defer those costs, for recovery to be
24 considered in a future rate proceeding.

25 Q. Assume with me that we hold a rate proceeding

1 and -- just hypothetically. And the company comes in and
2 asks for recovery of the \$7 million that is deferred from
3 the AAO, and there's evidence that the reason the outage
4 occurred at the Lake Road Unit 46 is because one of St. Joe
5 Light & Power Company's engineers hooked up the wrong pipe
6 to the wrong item and that caused the explosion, and the
7 Commission determines that was imprudent on St. Joe's behalf
8 to do that. Would you expect the Commission to give St. Joe
9 Light & Power recovery of that \$7 million?

10 A. I'm not going to speculate on what the
11 Commission's going to do.

12 Q. Assume the Commission determines that that is
13 imprudent. Would you still believe that the Commission --
14 or would you still request the Commission grant St. Joe
15 Light & Power the recovery of the \$7 million?

16 A. You know, we have no evidence -- conclusive
17 evidence that that scenario is what happened. So for me to
18 speculate -- I'm just not going to sit here and speculate on
19 what might have happened. I don't know what happened at
20 this point for sure.

21 Q. Fair enough. Commissioner Schemenauer asked
22 you some questions also about the AAO and you discussed the
23 five-year rate freeze. Do you recall those questions?

24 A. Yes.

25 Q. Are you aware that one of the kick-out

1 clauses, I'll use that, free get out of jail clauses from
2 the five-year rate moratorium is whether or not an extended
3 outage or shutdown of a major generating unit which has a
4 major effect on St. Joe Light & Power's jurisdictional
5 operations occurs?

6 MR. COMLEY: I'll object to the
7 characterization as getting out of jail.

8 MR. MICHEEL: I'm sorry. I didn't mean to --
9 BY MR. MICHEEL:

10 Q. One of the clauses that absolves the
11 moratorium is a major event?

12 A. I would say my interpretation of that is this
13 event -- that would not apply to this event.

14 Q. And, again, you didn't develop at all the
15 regulatory plan by UCU; is that correct?

16 A. Yes. That's correct.

17 Q. And UCU didn't get St. Joe Light & Power's
18 guiding hand in developing that regulatory plan; is that
19 correct?

20 A. That's correct.

21 Q. Even though on a going-forward basis that
22 regulatory plan will be applied to St. Joe Light & Power
23 Company's current jurisdictional customers; is that correct?

24 A. Yes. It would impact our customers, yes.

25 Q. They're the ones who would be -- that plan

1 would be imposed upon; is that correct?

2 A. That's correct. But it would also meet the --
3 the legal standards of no detriment to our customers.

4 Q. And St. Joe Light & Power didn't think it was
5 important to have its input on that plan even though that
6 plan was going to effect its customers; is that correct?

7 A. Keep in mind a couple things. We were in the
8 process of reducing our rates at the time, which eventually
9 occurred effective I think November of last year. That was
10 happening.

11 And the other thing is the fact that at
12 consummation of the merger, our organization no longer
13 exists. It is the responsibility of UtiliCorp going forward
14 to make sure they serve what were our customers in
15 accordance with the standards set by this Commission. We
16 have the confidence they will do that.

17 Q. But my question to you was, St. Joe Light &
18 Power didn't have any input on this regulatory plan that's
19 going to be utilized for its current customers; is that
20 correct?

21 A. We reviewed -- we were given copies of the
22 testimony to look at. We saw nothing that -- in that
23 testimony that raised major concerns on our part that it
24 would be a detriment to our customers. So at that point we
25 were satisfied that their approach was a reasonable approach

1 going forward.

2 MR. MICHEEL: Thank you very much.

3 JUDGE WOODRUFF: Staff?

4 MR. DOTTHEIM: Yes. A question or two.

5 RECROSS-EXAMINATION BY MR. DOTTHEIM:

6 Q. Mr. Steinbecker, in follow-up to a question or
7 two from Commissioner Murray regarding recovery of the costs
8 of the outage at Lake Road Unit 46, have there been Staff
9 engineers at the site since that outage has occurred?

10 A. Yes.

11 Q. Do you know whether the Staff, as a result of
12 that outage, will file a motion with the Commission to open
13 up an electric incident docket to investigate that outage?

14 A. Am I aware of that?

15 Q. Yes. Or are you aware that that's a process
16 that the Staff will engage in or engages in?

17 A. No. I'm not -- I was not aware of that.

18 Q. Mr. Steinbecker, can you describe the outage,
19 what occurred at Unit 46?

20 A. No, I cannot.

21 MR. DOTTHEIM: Thank you, Mr. Steinbecker.

22 JUDGE WOODRUFF: Let's try and finish redirect
23 before we go to lunch then. Mr. Comley?

24 MR. COMLEY: Just a few. Thank you, Judge.

25 REDIRECT EXAMINATION BY MR. COMLEY:

1 Q. Mr. Steinbecker, let me take you back to some
2 questions Mr. Micheel asked you during his first round of
3 cross-examination. He was talking to you about the limited
4 auction process the company elected to use respecting the
5 final binding bid received by UtiliCorp of \$22.50. Do you
6 recall the occasion when there was a discussion about going
7 back to UtiliCorp and talking to them about their bid?

8 A. Yes.

9 Q. Was there also a discussion at that time about
10 approaching the other bidder about doing the same thing?

11 A. You know, my memory is hazy. I recall just
12 going back to UtiliCorp, but I know as I've thought -- as
13 I'm thinking about it with your question, I know we got a
14 signal that MDU was not willing to increase their bid. But
15 I'm -- for some reason my memory is saying that was in a
16 little bit of a different context.

17 So my memory's -- I can't answer it -- you
18 know, a positive yes or no on your question, but I do know
19 there was a point in time where we did get another signal
20 back from MDU that they were not willing to increase their
21 bid.

22 Also, keep in mind that at the starting point
23 we believed the UtiliCorp bid was much more favorable than
24 MDU starting out. So at the point they were not willing to
25 go further, than they dropped by the wayside -- as MDU was

1 not willing to go forward.

2 Q. With respect to the advisory board, questions
3 about the advisory board, do you expect UtiliCorp to dismiss
4 out of hand any of the advisory board recommendations it may
5 make?

6 A. Well, that's not our expectations. Certainly
7 not.

8 Q. Mr. Dottheim was asking you questions about
9 page 45 of a transcript and, again, the limited auction
10 process was discussed. Was there an interest at the time in
11 trying to attract interested parties within a certain
12 geographical area?

13 A. Well, that was certainly a driving
14 consideration. We worked with -- in conjunction with Morgan
15 Stanley, the board of directors and management to -- you
16 know, it was a collaborative effort on arriving at what
17 companies we would talk with. Certainly geographic
18 consideration was a major part of that.

19 Q. Was there a particular geographic area that
20 you were looking for?

21 A. Well, I mean, it would be within our region.
22 Certainly those utilities that were and are contiguous to
23 our service territory.

24 Q. If you had had a public bidding process, would
25 the company have lost control over narrowing the geographic

1 scope of the interested parties?

2 A. Well, I think my testimony would be we'd lose
3 control over about everything, including that.

4 Q. I think it was Chair Lumpe as well as
5 Commissioner Drainer perhaps and then Mr. Conrad discussed
6 the Accounting Authority Order and the way in which the
7 amount of the incident involved would be written off. Now,
8 for clarity sake, which company will be writing off the
9 expense of the incident at the Lake Road plant?

10 A. Well, if it's written off, it would be
11 St. Joseph Light & Power Company.

12 Q. This would not be written off by the UtiliCorp
13 United Company?

14 A. Well, in the scenario we were describing, it
15 would be written off by St. Joseph Light & Power Company.

16 Q. Is that the understanding that UtiliCorp has
17 regarding the way this is going to be handled on an
18 accounting basis?

19 A. Yes.

20 Q. Mr. Micheel was asking questions about the
21 manner in which the company negotiated the merger and asked
22 questions about the announcement of the merger. And I think
23 one of his questions was that the company did not announce
24 the merger to its employees or others in advance.

25 With respect to announcements of mergers of