

1 publicly-held corporations, are those announcements also
2 regulated by rules and regulations of the Securities
3 Exchange Commission?

4 A. Yes, they are.

5 Q. Was the announcement of this merger conducted,
6 to your understanding, in accordance with those rules and
7 regulations?

8 A. Absolutely.

9 MR. COMLEY: I have no other questions.

10 JUDGE WOODRUFF: We'll break then until
11 two o'clock. You may step down.

12 (A RECESS WAS TAKEN.)

13 JUDGE WOODRUFF: Ready to proceed with this
14 afternoon. And I believe the next witness will be
15 Mr. Green.

16 MR. SWEARENGEN: That's correct. I'd call
17 Mr. Green at this time.

18 JUDGE WOODRUFF: Thank you.

19 MR. SWEARENGEN: He has two pieces of
20 testimony, direct and surrebuttal. And we have indicated
21 that his direct should be Exhibit 2 and his surrebuttal
22 Exhibit 3.

23 JUDGE WOODRUFF: Okay. That agrees with what
24 I have here.

25 (EXHIBIT NOS. 2 AND 3 WERE MARKED FOR

1 IDENTIFICATION.)

2 (Witness sworn.)

3 ROBERT GREEN, testified as follows:

4 DIRECT EXAMINATION BY MR. SWEARENGEN:

5 Q. Would you state your name for the record,
6 please.

7 A. Robert Green.

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

9 A. UtiliCorp United as president and chief
10 operating officer.

11 Q. Did you cause to be prepared for purposes of
12 this proceeding certain direct testimony which has been
13 identified as Exhibit No. 2?

14 A. I did.

15 Q. And did you also cause to be prepared certain
16 surrebuttal testimony which has been marked as Exhibit
17 No. 3?

18 A. I did.

19 Q. If I asked you the questions which are
20 contained in both your direct and surrebuttal testimony,
21 would your answers this afternoon be substantially the same?

22 A. They would.

23 Q. Do you have any changes at all that you need
24 to make in either your direct or your surrebuttal testimony?

25 A. I have none.

1 MR. SWEARENGEN: Thank you. I have nothing
2 further of the witness at this time. I would offer into
3 evidence Exhibit 2 and Exhibit 3 and tender the witness for
4 cross-examination.

5 JUDGE WOODRUFF: Exhibits 2 and 3 have been
6 offered into evidence. Are there any objections?

7 Hearing none, they will be received into
8 evidence.

9 (EXHIBIT NOS. 2 AND 3 WERE RECEIVED INTO
10 EVIDENCE.)

11 JUDGE WOODRUFF: Okay. For cross-examination,
12 again we'll start with St. Joseph Light & Power.

13 MR. COMLEY: I have no questions.

14 JUDGE WOODRUFF: UE?

15 MR. COOK: No questions.

16 JUDGE WOODRUFF: And Department of Natural
17 Resources is still not here.

18 MS. WOODS: Excuse me, Judge Woodruff. My
19 name's Shelley Woods, I represent the Department of Natural
20 Resources.

21 JUDGE WOODRUFF: Glad you could be here.

22 MS. WOODS: I apologize for missing this
23 morning, But Judge Young cordially invited me to attend
24 Johnson County Circuit Court this morning, and so I did.

25 JUDGE WOODRUFF: Well, I can understand that.

1 Would you like to cross-examine?

2 MS. WOODS: I have no questions. Thank you.

3 JUDGE WOODRUFF: Thank you. And AGP?

4 MR. CONRAD: I have a few, your Honor.

5 CROSS-EXAMINATION BY MR. CONRAD:

6 Q. Good afternoon, Mr. Green.

7 A. Good afternoon.

8 Q. Do you agree that the approximate value of the

9 acquisition premium is 92, 93 million?

10 A. Yes.

11 MR. CONRAD: Permission to approach the

12 witness, your Honor.

13 JUDGE WOODRUFF: You may.

14 BY MR. CONRAD:

15 Q. Mr. Green, I show you what I've caused to be

16 marked as Exhibit 502. And as you take a moment to look

17 that over, I'm going to hand three copies to the court

18 reporter and the requisite copies to the Bench and parties.

19 (EXHIBIT NO. 502 WAS MARKED FOR

20 IDENTIFICATION.)

21 BY MR. CONRAD:

22 Q. Have you had an opportunity to look at that

23 document, Mr. Green?

24 A. I have.

25 Q. Do you recognize it?

1 A. I'm somewhat familiar with it, yes.

2 Q. Would you agree with me it's a portion of

3 Mister -- forgive me if I mispronounce his name -- Mr. Vern

4 Siemek's --

5 A. Yes, it is.

6 Q. -- exhibits?

7 And that is from your company's filing.

8 Correct?

9 A. Yes.

10 MR. COOK: Do you have an extra one? Thank

11 you.

12 MR. CONRAD: Sure. I'm sorry.

13 Your Honor, as much as the witness has

14 identified the exhibit and acknowledged it as being from the

15 company, I would move its admission at this time as

16 Exhibit 502.

17 JUDGE WOODRUFF: It has been marked as 502 and

18 offered into evidence. Are there any objections?

19 Hearing none, it will be received into

20 evidence.

21 (EXHIBIT NO. 502 WAS RECEIVED INTO EVIDENCE.)

22 MR. CONRAD: Thank you.

23 BY MR. CONRAD:

24 Q. Direct your attention, Mr. Green, to the last

25 page of the packet, which is a landscape printed

1 spreadsheet. And in the upper -- well, I won't say upper.
2 It would be -- if you turn it that way, it would be the
3 lower right corner is identified as Annual Detail. Are we
4 looking at the same sheet?

5 A. I don't see the term Annual -- what was the
6 term you quoted?

7 Q. Annual Detail.

8 A. Annual Detail, I don't see that.

9 Q. (Indicating.)

10 A. Okay.

11 Q. Do you see it now?

12 A. I do.

13 Q. Sorry if I confused you with my directions.

14 I'm correct, am I not, that this is a sheet
15 that purports to summarize synergy benefits and that of
16 costs to achieve for the UtiliCorp/St. Joseph Light & Power
17 merger?

18 A. Yes, it is.

19 Q. Now, would I also be correct that where
20 numbers on this sheet are shown as positive numbers, that is
21 without either a minus sign or set of parens around them,
22 they indicate a benefit?

23 A. You're asking if parens around a number
24 indicate a benefit?

25 Q. No, sir. I'm asking if numbers that appear on

1 this sheet as positive values rather than numbers that are
2 enclosed in parens are intended to reflect benefits?

3 A. I believe so.

4 Q. Okay. So the converse would also be true,
5 that numbers in parentheticals would represent what we might
6 call negative benefits or detriments?

7 A. I believe so.

8 Q. Okay.

9 A. Although that question would best be posed to
10 the author of the spreadsheet.

11 Q. I understand. But you've used this as part of
12 your analysis, I take it, in going forward with the
13 transaction, haven't you?

14 A. We have used this at times in our analysis
15 among, you know, a multitude of other analyses.

16 Q. You have no understanding that the numbers are
17 significantly incorrect, do you?

18 A. I do not.

19 Q. Now, toward the middle of the sheet there are
20 a couple of columns, both under the heading First Five Full
21 Years. Do you see those two columns?

22 A. Yes.

23 Q. And then there's those two columns, one is
24 Total and the second one to the right of it is the Average
25 of years one to five. So far so good?

1 A. Yes.

2 Q. The rows under item one under Operating Costs,
3 would you agree with me that they would appear to total on
4 line Roman Numeral I, 6, total O and M to approximately
5 \$81 million. Correct?

6 A. I -- which column? Yes. In the Total column
7 it's 81.3.

8 Q. For the first five years?

9 A. Yes.

10 Q. And would you agree with me that at least per
11 this exhibit, roughly \$81 million is proposed to be retained
12 for the benefit of the shareholders over the first five
13 years?

14 A. No. I wouldn't characterize it like that.

15 Q. The 81.3 is a total of the benefits from the
16 operating cost. Correct?

17 A. Yes.

18 Q. Are you proposing to reduce the rates of
19 St. Joe Light & Power Company during the first five years of
20 the regulatory plan?

21 A. No, we are not. We're proposing to use those
22 benefits to off set the costs of the transaction and provide
23 benefits by freezing the rates for five years and
24 guaranteeing a \$1.6 million reduction in year six.

25 Q. Now, who is funding the costs to achieve?

1 A. Who is funding the costs to achieve the
2 merger?
3 Q. Yes.
4 A. UtiliCorp is paying the purchase price which
5 accomplishes the merger and allows the benefits to be
6 achieved.
7 Q. And UtiliCorp is also paying, as we had
8 established before, the \$92 million premium as part of that.
9 Correct?
10 A. Correct.
11 Q. So the 81.3 million that is asserted here as a
12 benefit does not flow back to the ratepayers of St. Joe
13 Light & Power? Instead your testimony is that it flows to
14 the shareholders or to the UtiliCorp entity -- let's just
15 call it the UtiliCorp entity at this point. Is that
16 correct?
17 A. No. That's not correct. That's how you
18 attempted to characterize it the first time. It off sets
19 the costs of accomplishing the transaction and is what
20 allows the benefits to be delivered ultimately to the
21 customers.
22 Q. So the trouble that you're having with my
23 question, I take it, is that -- it's where I'm trying to
24 characterize the flow of it, not the amount of it?
25 A. Yes. You're suggesting some kind of windfall

1 to UtiliCorp shareholders, which isn't real. There's a
2 significant cost to achieve the transaction and the ultimate
3 benefit.

4 Q. Mr. Green, did I use the term "windfall"?

5 A. No. You used the term "flows to the
6 shareholders."

7 Q. I didn't think I used the term "windfall."
8 Why would you suggest that I did?

9 MR. SWEARENGEN: I'm going to object to that.
10 He's arguing with the witness and the witness has already
11 answered.

12 MR. CONRAD: I'll withdraw the question.
13 Point's made.

14 BY MR. CONRAD:

15 Q. So we're not in disagreement then about an
16 \$81.3 million benefit that's claimed; is that correct?

17 A. That is projected in this spreadsheet,
18 correct.

19 Q. You agree with me based on this exhibit that
20 the estimated costs to achieve are approximately 13 million?

21 A. No. No. That's one component of the costs to
22 achieve.

23 Q. That's the capital savings total; is that
24 correct?

25 A. Yes.

1 Q. And when we take that 13 million out, that
2 leaves a net of roughly 68 million of benefits. Correct?

3 A. That's what the spreadsheet says, correct.
4 There's several -- several other costs to be deducted from
5 that number.

6 Q. Moving on down to Section 4, would you agree
7 with me that the 12,050 million and the 6,157 million shown
8 are reductions in costs to St. Joe Light & Power?

9 A. You know, at this point I can't speak with
10 precision about what is in each of those line items. And I
11 would direct you to the author of the spreadsheet so we
12 don't --

13 Q. Just answer the questions to the extent that
14 you know, sir. And that's fine if you don't know. So --

15 A. And I'm telling you I don't know --

16 Q. -- you're indicating --

17 A. -- exactly what is in that line item where I
18 can testify to it here today. And there are witnesses that
19 can better testify to what's included in that line item.

20 Q. Do you know what's in the line item of No. 4,
21 or what the 65,049,000 that is a negative benefit
22 represents?

23 A. No. Again, I think that would be better
24 handled by the author of this spreadsheet.

25 Q. No. I'm just asking you if you know, sir.

1 A. And I'm saying no.

2 Q. St. Joe Light & Power Company has a steam
3 distribution system, does it not, sir?

4 A. They do.

5 Q. And it provides public utility service with
6 respect to steam, does it not?

7 A. It does.

8 Q. Does it operate a gas distribution system
9 also?

10 A. They do.

11 Q. And it provides public utility service with
12 respect to natural gas in that service area, does it not?

13 A. It does.

14 MR. CONRAD: Permission to approach the
15 witness.

16 JUDGE WOODRUFF: You may.

17 BY MR. CONRAD:

18 Q. Mr. Green, I'll show you what I've marked as
19 Exhibit 503. I'll allow you to take a moment to look at
20 that while I provide the copies to the Bench and reporter.

21 (EXHIBIT NO. 503 WAS MARKED FOR
22 IDENTIFICATION.)

23 BY MR. CONRAD:

24 Q. Mr. Green, you have before you what I've
25 marked as 503. Have you had an opportunity to examine that

1 document?

2 A. I have.

3 Q. Do you recognize it, sir?

4 A. Again, I'm somewhat familiar with it, but
5 not -- I have not studied it in depth.

6 Q. To shortcut that part of this, I take it that
7 you have no quarrel with that being identified as a response
8 to a data request from us to UtiliCorp, do you?

9 A. No. It appears to be just that.

10 MR. CONRAD: On the strength of that, your
11 Honor, we'd move admission of 503 at this point.

12 JUDGE WOODRUFF: Exhibit 503 has been offered
13 into evidence. Are there any objections?

14 MR. SWEARENGEN: Your Honor, I'm not sure that
15 this witness can undergo cross-examination on this document.
16 It appears on its face that it was prepared by Bev Agut.
17 And I recognize it's a response to a request from Mr. Conrad
18 supplied by UtiliCorp, but I'm not sure this is the best
19 witness to sponsor this exhibit. So I would object on that
20 basis.

21 JUDGE WOODRUFF: Who is the author of this
22 document? Is he here as a witness?

23 MR. SWEARENGEN: He's not a witness in the
24 proceeding.

25 JUDGE WOODRUFF: He's not a witness. Okay.

1 Mr. Conrad, do you want to respond?

2 MR. CONRAD: Well, yeah. I sure will. This
3 is a data request provided to us. The witness has
4 acknowledged that it's a data request and a response from
5 his company. It's an admission against interest. It's
6 admissible. And foundation has been laid. We'll deal with
7 the next question the next time when we see what the witness
8 has to say about the exhibit.

9 MR. SWEARENGEN: That's fine.

10 JUDGE WOODRUFF: I'll overrule the objection.
11 It will be received.

12 BY MR. CONRAD:

13 Q. Mr. Green, I'll try to shorten this up. I
14 recognize you probably did not prepare this exhibit. If I
15 were to ask you some questions about it, would your answers
16 basically be that you don't know?

17 A. In large measure, I would be guessing what was
18 included in some of these line items, but I can talk
19 probably at a -- at a concept level, but as far as what the
20 creator included in each line item, I couldn't define that
21 for you.

22 Q. Well, let's talk at a concept level and see
23 how far we get. Again, would it be your understanding that
24 numbers that are positive represent assertive benefits,
25 while numbers that are in parens would represent costs or

1 negative benefits?

2 A. That is the general approach.

3 Q. Would you agree with me that the line that's
4 identified as Roman Numeral V over toward the right has five
5 columns, one for electric, one for gas, one for steam, for
6 non-regulated and then a column that totals?

7 A. Yes.

8 Q. Would you also agree with me that the total
9 that is shown there under the electric column is a positive
10 number, but the number shown for the gas and the steam as
11 well as the non-regulated are all negatives?

12 A. They have parens around them. Again, what's
13 in these numbers I can't speak to.

14 Q. And moving on down, at the bottom of the
15 chart, both the gas and steam numbers remain negative, they
16 just increase in their negativity, do they not?

17 A. They have parens around them.

18 Q. Are they larger than the ones on five?

19 A. They are.

20 Q. Now, you indicated you wouldn't know about the
21 make-up of the particular number or what goes in them.

22 Correct?

23 A. Correct.

24 Q. Who would I ask about that?

25 A. In terms of witnesses to this proceeding? I

1 would ask Mr. Emison who might be most familiar with this,
2 but he can't speak, I guess.

3 Q. Is he listed as a witness?

4 A. He's not a witness.

5 Q. Can he be provided to answer questions about
6 this exhibit?

7 MR. SWEARENGEN: John McKinney may be able to
8 answer --

9 THE WITNESS: John McKinney would be the man.
10 And he's up next, I believe.

11 BY MR. CONRAD:

12 Q. Aren't you glad of that?

13 A. It's good to have him.

14 Q. I'm sure Mr. McKinney will appreciate that and
15 ask you to increase his pay accordingly.

16 MR. SWEARENGEN: Mr. McKinney just left, I
17 think.

18 BY MR. CONRAD:

19 Q. We mentioned about the steam system though
20 that you knew that St. Joe Light & Power has in St. Joe.
21 What are your plans for that steam system?

22 A. We have no specific plans to change the status
23 quo.

24 Q. So the customers in St. Joseph, Missouri who
25 are currently steam customers could expect to receive steam

1 service from that system and from the merged company for the
2 foreseeable future?

3 A. We have no other current intentions. And we
4 modeled the transaction assuming that steam customers would
5 remain with the business.

6 Q. And so to just nail that -- put a finer point
7 on it, you disclaim here and now any intention to abandon
8 that service?

9 A. Any current intention.

10 MR. CONRAD: Permission to approach the
11 witness.

12 JUDGE WOODRUFF: You may.

13 BY MR. CONRAD:

14 Q. Mr. Green, I'll show you what I've somewhat
15 crudely marked as Exhibit 504. And while you take a moment
16 to look at that, I'll provide copies to the Bench and the
17 reporter.

18 (EXHIBIT NO. 504 WAS MARKED FOR
19 IDENTIFICATION.)

20 BY MR. CONRAD:

21 Q. Mr. Green, have you had an opportunity to
22 examine the document I've identified as 504?

23 A. I've glanced through the pages, yes.

24 Q. Do you recognize it?

25 A. I think I know what it is. I haven't read it

1 before.

2 Q. Do you have any information you might shed on
3 us where it has come from?

4 A. Where it's come from?

5 Q. Yeah.

6 A. Well, the title says New York Analyst
7 Meetings. I mean, other than what's obvious, no.

8 Q. And the date of May 9, 2000?

9 A. Right.

10 Q. There's an R. Green. Whom would that be? Who
11 would that be?

12 A. Rick Green and Peter Lowe had a meeting on
13 May 9th in New York.

14 Q. Okay. Do you know anything about that
15 meeting?

16 A. I wasn't in attendance, but it was a standard
17 analyst meeting.

18 Q. Look at the second line on the very first
19 page. Do you see your name there?

20 A. Yes.

21 Q. And the very next line you appeared to be
22 covering the west coast. Without commenting as to how
23 thinly you were doing that, was that part of a mini road
24 show that was going on at the same period of time?

25 A. I was meeting with analysts on the west coast

1 during this time.

2 Q. So this would be the New York meeting?

3 A. Yes.

4 Q. Which your brother was doing?

5 A. Yes.

6 Q. Now, your brother isn't scheduled as a
7 witness, I take it, but I take it your testimony would be
8 that he's able to speak authoritatively for the company?

9 A. Yes.

10 Q. Does this appear, from the investigation
11 you've been able to make of it here, to be a transcript of
12 that meeting?

13 A. It does.

14 Q. Do you have any questions about the accuracy
15 of the transcript?

16 A. No reason to have any questions.

17 Q. Okay. I'll represent to you, Mr. Green, that
18 it's off of your now perhaps famous website
19 www.UtiliCorp.com.

20 MR. CONRAD: Well, let's see. Your Honor,
21 I'll move the admission of 504 and see what we've got.

22 JUDGE WOODRUFF: Exhibit 504 has been offered.
23 Are there any objections?

24 MR. SWEARENGEN: I'm not going to object.

25 JUDGE WOODRUFF: All right. Hearing none, it

1 will be received into evidence.

2 (EXHIBIT NO. 504 WAS RECEIVED INTO EVIDENCE.)

3 BY MR. CONRAD:

4 Q. Mr. Green, let me ask you to turn to
5 page 18 -- strike that, page 19, which is the very last page
6 of the packet. And I read there toward the top of that a
7 question and an answer: Missouri Staff being the Missouri
8 Staff, we still think the Commission is in favor of it.

9 Do you see that phrase?

10 A. Yes.

11 Q. Who is "we"?

12 A. I think he's talking about UtiliCorp.

13 Q. And the Commission that's being referred to
14 would be this body to your right, my left. Correct?

15 A. Yes.

16 Q. What, to you, does it mean when the phrase is
17 there that says, Missouri Staff being the Missouri Staff?

18 A. You know, I don't think it's appropriate for
19 me to speculate about what was in his mind. I think the
20 message here is pretty straightforward and simple. We feel
21 good about the transaction, it's a win/win proposition, we
22 feel comfortable with the kind of precedent we've seen the
23 Commission set, and from what we've heard from Staff
24 members, that we'll be able to strike a win/win deal here
25 and get this transaction done.

1 And it -- and we're trying to position the
2 transaction in a favorable light in the investment community
3 which is good for all constituents. And there's really
4 nothing more to read into this.

5 Q. So the phrase that follows that, We still
6 think the Commission -- and we identified "we" as being
7 UtiliCorp -- so I'd read that UtiliCorp still thinks -- so
8 we have verb agreement -- the Commission is in favor of it.

9 Do you know what your brother might have had
10 in mind as the basis of that statement?

11 A. Again, I would just repeat what I've already
12 said.

13 Q. Well, don't do that. Just try to answer the
14 question.

15 A. That would be my answer.

16 Q. And then in the question below that there's a
17 phrase, Staff being Staff, putting up that fight to go
18 through and have some interesting hearings.

19 Do you see that phrase?

20 A. Uh-huh.

21 Q. Is Staff the only party that has indicated in
22 testimony that they have serious questions about the
23 substance of this transaction?

24 A. No. There's several interested parties,
25 including yourself.

1 Q. Are we just being Staff when we do that?

2 A. I don't know what you mean by that question.

3 Q. Well, I'm here for Ag Processing. Am I just

4 being Ag Processing when I do that, sir?

5 A. No. I think you're representing your client

6 in this proceeding.

7 Q. Do you feel the hearings thus far have been

8 interesting?

9 A. Somewhat.

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

11 JUDGE WOODRUFF: Thank you.

12 All right. We're now up to City of

13 Springfield.

14 CROSS-EXAMINATION BY MR. KEEVIL:

15 Q. Very briefly. Mr. Green, are you aware of any

16 other State Commissions -- and when I say "other," I mean

17 other than the Missouri Commission -- that take an active

18 role in transmission -- electric transmission reliability

19 issues?

20 A. Most of those issues are left to the FERC, but

21 there are -- there is some interest at the state level, but

22 I mean, a lot of the issues are dealt with at the FERC and

23 NERC level.

24 Q. Are you aware of any State Utility Regulatory

25 Commissions which approve electric utility plans for their

1 transmission systems?

2 A. Yes.

3 Q. Which State Commissions would those be?

4 A. My awareness is of a general nature, and I
5 couldn't list which of the 50 states I'm specifically aware
6 of.

7 Q. To your knowledge, does UtiliCorp or any of
8 its divisions or subsidiaries operate in any of those
9 states?

10 A. Most likely so, but again, in our eight states
11 I could not recite what sort of jurisdiction each state has
12 over its transmission.

13 Q. So you would believe then -- or in your
14 opinion, the various state jurisdictions over transmission
15 varies from state to state?

16 A. I'm sure it varies to some extent.

17 Q. Are you aware of any states that have -- well,
18 let me rephrase that.

19 Are you aware that New York state has a
20 reliability counsel for the state of New York?

21 A. I was not specifically aware of that body, but
22 I'm not surprised.

23 MR. KEEVIL: Thank you. No further questions.

24 JUDGE WOODRUFF: Thank you.

25 Public Counsel?

1 CROSS-EXAMINATION BY MR. MICHEEL:

2 Q. Is it correct, Mr. Green, that UtiliCorp
3 United assumed that the Commission would provide a
4 reasonable opportunity to recover the acquisition premium in
5 this case?

6 A. Is it -- repeat your question, the beginning.

7 Q. Sure. Is it correct that UtiliCorp United
8 assumed the Commission would provide it, UtiliCorp United,
9 with a reasonable opportunity to recover the acquisition
10 premium in this proceeding?

11 A. Okay. We believed given the precedent and
12 what we had seen from the Staff as well as the Commission's
13 decisions in the past, that we would have a reasonable
14 opportunity.

15 Q. Is it correct that UtiliCorp believes the
16 Commission, and I quote, Articulated a standard for premium
17 recovery, closed quote, in EM-91-213 and WR-95-204 and
18 SR-95-206?

19 A. I don't have those case numbers down. Could
20 you tell me what you're quoting?

21 Q. Do you have a copy of your direct testimony,
22 Mr. Green?

23 A. I do. Right in front of me.

24 Q. Great. Why don't we turn to page 12 and look
25 at lines 4 through 8 of that direct testimony.

1 A. Okay.

2 Q. Are you there?

3 A. I am.

4 Q. Is it correct that you state that UtiliCorp
5 believes the Commission, and I quote, articulated a standard
6 for premium recovery?

7 A. Yes.

8 Q. And then you cite two cases; is that correct?

9 A. Yes.

10 Q. And those cases are EM-91-213; is that
11 correct?

12 A. Yes.

13 Q. And WR-95-204 and SR-95-206?

14 A. Yes.

15 Q. Do you know what merger transaction was the
16 subject of EM-91-213?

17 A. I believe that dealt with the water case and
18 it's been referred to today by our -- in our opening
19 statement.

20 Q. Would you accept, subject to check, that that
21 merger was the Kansas Power & Light bid to acquire Kansas
22 Gas?

23 A. Yes.

24 Q. The E stands for electric merger.

25 A. Okay.

1 Q. And W will stand for water.
2 A. Okay. So I've got them reversed.
3 Q. Right.
4 A. Yes.
5 Q. And in your testimony, sir, you quote what the
6 Commission said in EM-91-213; is that correct?
7 A. Yes.
8 Q. And you say that the Commission did not wish
9 to discourage companies from actions which produce economies
10 of scale and savings which can benefit ratepayers and
11 shareholders alike; is that correct?
12 A. Correct.
13 Q. Did you review the Commission's Report and
14 Order in EM-91-213, sir?
15 A. I very likely did at one point in time, but
16 most certainly reviewed a summary of it with our regulatory
17 staff.
18 Q. Is it correct, sir, that that statement is a
19 quote related to the concept of a savings sharing plan as
20 opposed to recovery of an acquisition premium?
21 A. I -- I could not tell you that with certainty
22 today. I'd have to look at the case.
23 MR. MICHEEL: All right. May I approach the
24 witness?
25 JUDGE WOODRUFF: You may.

1 BY MR. MICHEEL:

2 Q. Let me give you a copy of Case No. EM-91-213,
3 sir. Is that the case that you've quoted in your testimony?

4 A. Yes.

5 Q. Okay. If you would, sir, turn to page 156.
6 And I'm looking at the last paragraph on that page, sir. Do
7 you see that?

8 A. Yes.

9 Q. Is it correct it says, The Commission -- and
10 that's the quote that you put in your testimony, is it not?

11 A. It appears to be, yes.

12 Q. And is it correct that the paragraph just
13 preceding that says, First, the Commission will not approve
14 at this time the savings sharing proposal?

15 A. That is what it says.

16 Q. Is it correct within the context of that case
17 that KP&L was not requesting explicit recovery of the
18 acquisition adjustment in that proceeding, only a program of
19 sharing the merger savings between shareholders and
20 ratepayers with each receiving 50 percent?

21 A. In reading these two paragraphs, that appears
22 to be the case, but I'm -- have not -- without reading the
23 entire decision, I can't answer that with certainty.

24 Q. Why don't we turn to page 154 of that
25 decision, Mr. Green. Let me know when you're there.

1 A. I'm there.

2 Q. Could you read into the record for me the
3 first sentence appearing on the first paragraph?

4 A. Beginning with KPL?

5 Q. Yes, sir.

6 A. KPL not only requests that the Commission
7 approve the proposed merger, but permit the applicant to
8 institute a program of sharing the merger savings between
9 the shareholders and ratepayers with each receiving
10 50 percent.

11 Q. Is it correct, Mr. Green, that UtiliCorp
12 initially considered a regulatory plan like the KPL plan
13 based on the shared synergies concept?

14 A. We consi-- we considered a number of
15 alternatives.

16 Q. And you state --

17 A. And --

18 Q. I'm sorry.

19 A. And settled on the regulatory plan we've
20 filed.

21 Q. And you indicate that you considered a synergy
22 savings concept at page 14 of your direct testimony, line 4;
23 is that correct?

24 A. Yes.

25 Q. But you rejected that concept; is that

1 correct?

2 A. Yes.

3 Q. And it's correct that UtiliCorp rejected that
4 concept because UtiliCorp believes it needs explicit
5 rate-based treatment of the acquisition premium; isn't that
6 correct?

7 A. Yes.

8 Q. And you so state at page 14 of your direct
9 testimony?

10 A. Correct.

11 Q. If you would, sir, looking at that --

12 A. And I might add, UtiliCorp and we believe the
13 investment community and the capital markets require that
14 kind of certainty to invest that kind of dollar amount in a
15 transaction.

16 MR. MICHEEL: Your Honor, I'd just ask that
17 that be stricken. Mr. Green had answered my question.
18 There's no question pending before this witness.

19 MR. SWEARENGEN: Your Honor, I think he is
20 entitled to finish answering the question.

21 JUDGE WOODRUFF: It was non-responsive and not
22 in response to the question, so it will be stricken.

23 BY MR. MICHEEL:

24 Q. Mr. Green, could you turn to page 161 of the
25 KP&L case. And I'm focusing there, sir, on the numbered

1 paragraph 11. Do you see that, sir?

2 A. Yes.

3 Q. Could you read that paragraph?

4 A. That nothing in this order shall be considered
5 as a finding by the Commission of the reasonableness of the
6 expenditures herein involved or of the value for rate-making
7 purposes of the properties herein involved or as an
8 acquiescence in the value placed upon said properties by
9 Kansas Power & Light Company.

10 Furthermore, the Commission reserves the right
11 to consider the rate-making treatment to be afforded these
12 transactions, resulting cost of capital and any proper
13 adjustment to the cost of capital resulting therefrom in any
14 later proceeding.

15 Q. Would UtiliCorp United object to the
16 Commission making a similar finding in this proceeding?

17 A. Yes.

18 Q. Why?

19 A. For the very reason I stated. Investors,
20 capital market, the investment community require -- and I
21 think any prudent businessman or reasonable person would
22 require a greater degree of certainty with regard to the
23 return one might earn on a \$92 million investment. And for
24 that to be left up in the air to be resolved later creates a
25 lack of confidence, lack of certainty that will chase

1 capital away.

2 Q. Has UtiliCorp ever closed a merger before this
3 Commission that had that exact language in the Report and
4 Order?

5 A. There have been other transactions where we
6 have been able to justify the premiums and prices paid in
7 different ways.

8 Q. So the capital is still there to close
9 mergers; isn't that correct?

10 A. The capital is still there because we've been
11 able to justify to the financial community how we would earn
12 a return on the price and the premium paid.

13 Q. And is it your testimony today that the only
14 way you can justify closing this deal to the financial
15 community is if this Commission gives your company explicit
16 recovery of the acquisition premium in this case?

17 A. Our -- our regulatory plan is one way to
18 accomplish that. That's not to say that there -- there
19 might not be other ways, but the key is that we have to be
20 able to justify a reasonable return for the investment made.
21 It's that simple.

22 Q. Did your company propose anything other than
23 the regulatory plan at issue here to recover that?

24 A. No. We thought it was the best plan we could
25 put forth. And so that is what you see filed.

1 Q. The other case that you cite in your testimony
2 quote, articulating the standard of merger recovery, is the
3 water case, WR-95-204 and SR-95-206; is that correct?

4 A. Yes.

5 Q. Did you review that Commission Report and
6 Order?

7 A. I did.

8 Q. And is that, in fact, a rate case that was
9 subsequent to the Commission approving the application of
10 Missouri American Water Company to acquire the common stock
11 of Missouri City's Water Company?

12 A. I can't answer that at this point in time
13 precisely.

14 Q. Would it help you if I showed you the case?

15 A. Maybe.

16 MR. MICHEEL: May I approach the witness?

17 JUDGE WOODRUFF: You may.

18 BY MR. MICHEEL:

19 Q. Handing you a copy of the Commission's Report
20 and Order in WR-95-204. And if you would, sir, turn to
21 page 214. And do you see the bold heading Acquisition
22 Adjustment there?

23 A. Yes.

24 Q. And on the second paragraph there on
25 August 31st, After obtaining authorization from the

1 Commission in Case No. WM-93-255 -- do you see that, sir?

2 A. Yes.

3 Q. Does that indicate that that was the merger
4 case?

5 A. I believe so.

6 Q. Okay.

7 MR. SWEARENGEN: I don't think it is. It says
8 it's a stock acquisition case. I mean, the case speaks for
9 itself. This is kind of wasting time, but if he wants to do
10 it --

11 JUDGE WOODRUFF: Do I hear an objection?

12 MR. SWEARENGEN: Yeah. I'm going to object on
13 that basis. I mean, this case speaks for itself. He can
14 cite it in a brief if he wants to.

15 MR. MICHEEL: That's fine.

16 BY MR. MICHEEL:

17 Q. Let me ask you this. Within the confines of
18 the water case that you have -- that you cited in your
19 testimony, is it correct that the Commission denied Missouri
20 American's request to recover the acquisition premium in
21 that case?

22 A. I believe it is, but they also cited the
23 precedent to recover it as being acceptable.

24 Q. And that was a rate case, was it not? That
25 wasn't a merger proceeding where that issue was raised;

1 isn't that correct?

2 A. I'm not sure.

3 Q. Or a stock acquisition case?

4 A. I'm hearing it was a stock acquisition case,
5 but I'm -- without reading this, I can't really answer that.

6 Q. Do you know whether or not the case you cited
7 in your testimony is a rate case or a merger case? The
8 R gives it away, the WR.

9 A. Then it must be a rate case.

10 Q. Okay. So that was a rate proceeding; is that
11 correct?

12 A. I -- I believe so, but without reading this
13 again, I can't answer that precisely.

14 Q. Okay. Case speaks for itself.

15 Did you review, in preparing your testimony,
16 the Commission's order in WM-93-255, the case that approved
17 the acquisition of stock?

18 A. Now, are you -- read the case number again.
19 And are you referring to some-- something in my testimony?

20 Q. No, sir.

21 A. Okay.

22 Q. I'm asking you if you read the underlying
23 stock acquisition case for the merger of Missouri American
24 Water and Missouri City's Water?

25 A. Not in detail completely, but in preparing my

1 testimony, we discussed the case and its relevance to this
2 proceeding.

3 Q. Would you be surprised to find out that in the
4 underlying merger case the Commission reserved all
5 rate-making treatment of the acquisition until a rate
6 proceeding?

7 A. Would I be surprised? I -- I wouldn't -- I
8 wouldn't necessarily be surprised or not surprised.

9 Q. I want to discuss with you the UtiliCorp
10 regulatory plan. Are you familiar with that?

11 A. Yes.

12 Q. Is it correct that the regulatory plan is for
13 10 years?

14 A. Yes.

15 Q. Is it correct under the plan, rates for
16 St. Joe Light & Power would be frozen for a moratorium of
17 five years?

18 A. Yes.

19 Q. I want to understand that moratorium
20 conceptually. You're qualified to talk about that; is that
21 correct?

22 A. To some degree. And then there are other
23 witnesses that can speak about it in much greater depth.

24 Q. I just want to talk to you conceptually. Is
25 that all right?

1 A. That's all right.

2 Q. Is it correct that St. Joe would not file a
3 base rate increase for electric, steam or gas for five years
4 following the close of the merger?

5 A. Yes.

6 Q. And is it correct that there are certain out
7 clauses that UtiliCorp has?

8 A. Yes.

9 Q. And those are like acts of God, significant
10 change in federal income tax and state tax, significant
11 change in federal or state utility law and an extended
12 outage or shutdown of a major generating unit which has an
13 adverse effect on St. Joe's Light & Power jurisdictional
14 operations; is that correct?

15 A. That sounds correct, and it's in our filed
16 testimony.

17 Q. I want you to assume, Mr. Green, that the
18 Commission approves your plan, your regulatory plan as set
19 forth in your testimony. When I say "yours," the joint
20 applicants' testimony.

21 Could the Office of the Public Counsel file a
22 complaint against the UtiliCorp St. Joe division alleging it
23 was over earning during the first five years of that plan?

24 A. No. I think the whole point of the moratorium
25 is that we would not be in for a rate case or a show cause

1 proceeding.

2 Q. I'm just trying to understand how it works
3 conceptually, Mr. Green.

4 A. Yeah.

5 Q. Could the Staff file a complaint case or an
6 earnings investigation?

7 A. Well, that's a little broad. I guess it would
8 depend what the underlying reason was. But the idea here is
9 that during those five years we realize the synergies and
10 the benefits of the transaction to justify the premium and
11 the cost of affecting the transaction. And then at the end
12 of five years, in year six, we're able to guarantee a rate
13 reduction of 1.6 million.

14 Q. What's too broad? I mean, can the Staff file
15 a complaint case during the five-year moratorium?

16 A. In terms of generally, no. But, I mean, I --
17 it's a general -- it's a very general statement.

18 Q. What exceptions are there?

19 A. I have no specific exceptions in mind. I
20 mean, the idea here is pretty straightforward and simple.
21 We freeze rates for five years. We realize the benefits of
22 the transaction to justify the substantial cost of affecting
23 the transaction in realizing the benefits. We guarantee a
24 rate reduction of 1.6 million in year six.

25 We put together St. Joe and Missouri Public

1 Service and create an electric utility company with a
2 critical mass in a competitive position to compete long
3 term. And at times I feel like the conversation in this
4 case is getting into micro issues and we're missing the
5 forest for the trees.

6 And, you know, it is -- this is a win/win
7 proposition. And in any one specific issue you can begin --
8 you can play point/counterpoint and debate the issue. But I
9 feel it's critical that you step back and you look at the
10 transaction as a whole and what's best for customers in
11 Missouri in terms of creating a competitive utility that can
12 compete and be successful in an increasingly deregulated
13 environment.

14 MR. MICHEEL: I'm going to ask that that
15 answer be stricken. I asked him what the exceptions were
16 and he gave me some sort of speech about why I shouldn't ask
17 questions about the specific regulatory plan.

18 JUDGE WOODRUFF: He may have answered more
19 than you anticipated, but you didn't step in to stop him
20 sooner. I'm going to overrule the objection.

21 BY MR. MICHEEL:

22 Q. Is it correct that the Commission would be
23 required to follow the five-year moratorium if your
24 regulatory plan were approved?

25 A. Yes.

1 Q. Is it correct during year six of your 10-year
2 plan that the St. Joe Light & Power division of UtiliCorp
3 would file a rate case?

4 MR. SWEARENGEN: Your Honor, I'm going to
5 object. If he's reading from the application, I think he's
6 misreading it. I think the application states that in year
7 five, these rate cases will be initiated. I don't know
8 whether it's a misunderstanding on the part of counsel or
9 whether he's intentionally trying to misstate it, but --

10 JUDGE WOODRUFF: Do you wish to clarify your
11 question?

12 BY MR. MICHEEL:

13 Q. Sure. During year five of the 10-year plan
14 will the UtiliCorp division or St. Joe Light & Power file a
15 rate case?

16 A. I believe the answer is yes.

17 Q. Didn't mean to confuse you on the year six,
18 five.

19 In that proceeding that you're going to file
20 in year five, is it correct that the Commission would
21 guarantee UtiliCorp an opportunity to recover 50 percent of
22 the acquisition premium; is that correct?

23 A. Yes.

24 Q. If the Commission adopts your regulatory plan,
25 in the year five rate case, would the Office of the Public

1 Counsel be permitted to argue that the acquisition premium
2 recovery should be denied?

3 A. I think the idea here is that as long as -- I
4 think the one condition is we need to demonstrate synergies
5 and agree upon how we'll count the synergies. And as long
6 as the benefits -- the synergies or the benefits exceed the
7 cost of the transaction, we'd be allowed to recover
8 50 percent of the premium in rates.

9 Q. Let me follow-up on that. Would the
10 Commission be able to deny UtiliCorp recovery of the
11 acquisition premium in the year five rate proceeding even if
12 UtiliCorp demonstrated oodles of savings?

13 A. No. That's the proposition, that we'd recover
14 half the premium and we deliver the million six rate
15 reduction.

16 Q. So we're deciding that here today, the premium
17 recovery; is that correct?

18 A. That -- that is what is filed in the
19 regulatory plan. And that is the degree of certainty that
20 we believe is required to continue to attract capital to
21 affect the transaction and deliver the benefits of the
22 transaction.

23 Q. You also in your regulatory plan request a
24 freeze in the St. Joe Light & Power capital structure; is
25 that correct?

1 A. Yes.

2 Q. Would the Commission be able to alter that
3 capital structure in the year five rate case assuming that
4 the Commission accepts your regulatory plan?

5 A. No. That's part of the rate plan.

6 Q. And my office --

7 A. That we would impute that capital structure as
8 we have done in many other jurisdictions. And, again, that
9 gives us a certainty to understand what kind of return we're
10 going to earn on this investment.

11 Q. Would the Commission, assuming it accepts
12 UtiliCorp's regulatory plan that you all have proposed, be
13 allowed to alter that plan in any future proceedings?

14 A. In -- it's a 10-year plan, so not within the
15 10-year period.

16 Q. So within that 10-year plan the Commission
17 would not be able to alter that plan. Is that your
18 testimony?

19 A. Correct.

20 Q. So if I can boil it down, you're asking this
21 Commission to bind itself to a specific regulatory plan for
22 a period of 10 years to make this deal work?

23 A. Yes. We're investing in a -- you know, assets
24 with lives of 50-years plus. And we have to go procure the
25 capital, and we need some degree of certainty and this is a

1 10-year plan we filed.

2 Q. Does UtiliCorp's regulatory plan as proposed
3 have any outs for the Commission or any other party to get
4 out of the plan, save UtiliCorp United the outs that we
5 spoke of at the outset?

6 A. I don't -- I don't believe so, unless I'm
7 missing some detail. And, again, there's going to be --

8 Q. That was my understanding. I just wanted to
9 make --

10 A. I'm sure --

11 Q. -- sure conceptually.

12 A. I believe you're right.

13 Q. I sorry for talking over each other.

14 I just wanted to understand conceptually
15 that's the right understanding. Correct?

16 A. Yes.

17 Q. Would you agree with me, Mr. Green, that your
18 company, UtiliCorp, has not made any blanket promises in the
19 past with respect to recovery or requested recovery of
20 acquisition adjustments?

21 A. We've made statements about it, yes.

22 Q. But those weren't blanket statements; is that
23 correct?

24 A. What do you mean by "blanket"? I mean, if by
25 "blanket" you mean, you know, true forever in any situation,

1 no. I mean, most statements are made in the context of a
2 current environment and situation.

3 Q. Do you have a copy of your interview that you
4 gave to Staff?

5 A. I do.

6 Q. Could you turn to page 30 of that interview,
7 sir? I'm curious about a statement that you had there. And
8 I'm focusing on lines 24 and 25. Let me know when you're
9 ready, sir.

10 A. What -- I'm sorry. You're on page 29?

11 Q. No, sir. Page 30.

12 A. Page 30, lines 24 --

13 Q. And 25. The question starts at line 17, sir.

14 A. What statement are we talking about here?

15 Q. In other words, we don't feel we've made any
16 blanket commitments for the future.

17 A. Right.

18 Q. And the preceding question is with respect to
19 the recovery of acquisition premiums in rates; isn't that
20 correct?

21 A. Yes.

22 Q. And your response to that question was, In
23 other words, we don't feel we've made any blanket
24 commitments for the future; is that correct?

25 A. Yes.

1 Q. And then if you'd turn over to page 31,
2 there's a question that says, All right. And your answer
3 is, In this rapidly changing deregulating environment, and
4 what makes sense today might not make sense in five years;
5 is that correct?

6 A. Yes.

7 Q. So if I understand your answer there, you're
8 saying we're not making any blanket commitments with respect
9 to acquisition adjustments because this is a rapidly
10 changing environment; is that correct?

11 A. As we look back historically, as we have made
12 statements about acquisition adjustments during the context
13 of the current situation.

14 Q. Would you agree with me sitting there today
15 that the utility environment is rapidly changing?

16 A. Yes. And that -- that is the reason the
17 capital markets require some degree of certainty about the
18 return an investor might receive by investing in utility
19 assets in a deregulating environment.

20 And if you look to jurisdictions where we've
21 experienced deregulation in Australia, New Zealand, Alberta,
22 the UK, you'll find that the regulatory regime provides five
23 years of certainty. And even -- and even longer term
24 certainty with regard to the framework of the regulation in
25 the returns which an investor might be able to achieve. And

1 that's -- that's critical in any of these faster changing
2 environments.

3 MR. MICHEEL: At this point, your Honor, I'm
4 going to object. He answered yes to my question. I gave
5 him a little chance to explain, but now he's again
6 editorializing.

7 MR. SWEARENGEN: I think he's entitled to
8 explain a yes or no answer.

9 JUDGE WOODRUFF: He's also required to respond
10 to questions rather than go on and on. During redirect if
11 you have follow-up, you can.

12 BY MR. MICHEEL:

13 Q. Would you agree with me, Mr. Green, that in
14 this rapidly changing, perhaps deregulated environment what
15 makes sense today might not make sense in five years?

16 A. Depends what you're talking about. If you're
17 trying to apply that to a regulatory regime or framework,
18 some degree of certainty going forward is required to
19 attract capital. And there are many examples around the
20 world and in this country where jurisdictions provide that
21 degree of certainty.

22 Q. Is it correct that your company just closed a
23 transaction in Alberta, Canada, the TransAlta transcation?

24 A. We have not closed -- we have not had a
25 financial close, but we've received a regulatory decision or

1 order.

2 Q. And when did that decision come out?

3 A. I think a week ago last Wednesday.

4 Q. So July 5th, 2000?

5 A. Yes.

6 Q. Let me ask you, is it correct in that order
7 that UtiliCorp was not allowed recovery of the acquisition
8 premium in rate base?

9 A. Per se, we were not allowed recovery of
10 premium. It's a very different situation where there is a
11 lot higher degree of certainty around how the market is
12 deregulating and unbundling and what we might be able to do
13 to re-position the retail business versus the generation
14 business versus the distribution business. And so to
15 compare that to Missouri is a little apples and oranges.
16 Again, the key is to be able to achieve some degree of
17 certainty with regard to the return that will be achievable.

18 Q. So comparing what's happening in Canada
19 vis-a-vis what's happening in the United States is apples
20 and oranges; is that correct?

21 A. In some instances. You're trying to
22 generalize these comments to apply to, you know, all
23 situations, and that's just not appropriate.

24 Q. Well, would you agree with me that the Alberta
25 Energy Utilities Board in its decision 2041 in TransAlta

1 Utility corporation sale of distribution business stated,
2 The board considers that in order to keep customers whole in
3 this transaction, it is vital that the premium paid by
4 UtiliCorp does not make its way into rate base?

5 A. I couldn't -- I have not -- I don't have that
6 in front of me. I couldn't answer the question.

7 Q. Would you like to see a copy of the order?
8 Would that help?

9 A. If I -- to answer the question, I would need
10 to.

11 Q. Okay. Great. I'm looking on page 20 of that
12 order under Board Findings. Do you see that, sir?

13 A. Yes.

14 Q. Did I read that correctly, that sentence?

15 A. Yes.

16 Q. And then if you turn over to page 21, is it
17 correct that the last sentence at the top there says,
18 Accordingly, the board will condition any approval of the
19 application so that the premium will not be added to Subco's
20 rate base; is that correct?

21 A. Yes.

22 Q. Do you know whether or not your company is
23 going to go through with the TransAlta transaction given
24 this finding?

25 A. We currently intend to close the transaction.

1 Q. Even though you're not getting any recovery of
2 the acquisition premium?

3 A. Yes. There are other ways in that unbundled
4 market to achieve recovery of the acquisition premium, so we
5 effectively will recover the acquisition premium.

6 Q. But it won't be a direct recovery; isn't that
7 correct?

8 A. That's correct.

9 Q. And that's because the Alberta Utilities Board
10 thinks that would be a negative to ratepayers; is that
11 correct?

12 A. No. No. It's because we didn't -- we didn't
13 request it, because in this unbundled market we have other
14 options in terms of repositioning the retail business and
15 with regard to the supply business.

16 Q. Don't you have other options in this
17 proceeding, like the telecom business, other unregulated
18 businesses of St. Joe?

19 A. No. Not -- nothing like exists in Alberta.
20 Alberta's substantially further down the road to
21 deregulation and unbundling than we are here in Missouri.

22 Q. Let me ask -- is it correct in your conference
23 call that you had in 1999 you stated, As I said, we think
24 we've got 300 miles of fiber at Empire and with the
25 significant business at St. Joe, that we think we can build

1 based upon our Australian experience into a real growth
2 vehicle for UtiliCorp?

3 A. I'd have to see it to confirm that that
4 happened in '99.

5 Q. There's a copy of Mr. Kind's testimony. I
6 believe that's also an exhibit -- an attached exhibit to his
7 testimony.

8 A. And here we're talking about taking advantage
9 of our telecom business experience in Australia and building
10 a telecom business here domestically.

11 Q. And out of the St. Joe assets or part of the
12 St. Joe assets that you're purchasing; is that correct?

13 A. No. It really had -- was not a factor in our
14 acquisition. The St. Joe telecom business is relative to
15 the Australian business or our Everest investment is fairly
16 immaterial and any growth in that business is going to
17 require additional capital to fund. And we've already begun
18 to fund that with additional separate capital investment.
19 So to execute our telecom strategy does not in any way
20 require the Exop business of St. Joe.

21 Q. Does the Exop business of St. Joe help your
22 telecom strategy?

23 A. Yes. But it's not a material incremental add.
24 And I think when we talk about, you know, the unregulated
25 business, what we've proposed in our regulatory plan, our

1 rationale is to point to the fact that we're only recovering
2 half of the premium. And so we feel like we've more than
3 taken into account what premiums should be allocated to the
4 unregulated business, which I think is the underlying point
5 you're trying to discuss.

6 Q. Isn't it correct that you recover more than
7 half of the premium given the entirety of the regulatory
8 plan?

9 A. In year six we begin to recover 50 percent of
10 the premium. And through the rate moratorium and other
11 features of the regulatory plan, we are given a chance to
12 recover more dollars to justify the premium. And, again, it
13 is -- at a conceptual level it's pretty straightforward.
14 There's a 92 -- you know, will be trued up a \$92, \$93
15 million premium, and we've got to justify our return on
16 those dollars to achieve the benefits of the merger.

17 Q. I have some questions about your surrebuttal
18 testimony.

19 A. Okay.

20 Q. At page 3, lines 2 and 3 you state, The
21 continuation of quality service at fair and reasonable rates
22 surely meets any definition of not detrimental to the public
23 interest; is that correct?

24 A. What page?

25 Q. Page 3, lines 2 and 3.