

1 over at the far right, the 10 full years, the 10 years of
2 the proposed regulatory plan, would I be correct that I
3 would be seeing a benefit or an asserted benefit on this
4 exhibit under the proposed regulatory plan of approximately
5 \$159 million?

6 A. That's what that line depicts, yes.

7 Q. And would that be essentially going to the
8 shareholders of the combined entity?

9 A. Not in the 10-year plan that we have filed
10 with this Commission.

11 Q. And the reason that you couldn't say yes to
12 that would be that some portion of that 159, under the
13 regulatory plan, would be flowed back to ratepayers in
14 St. Joe?

15 A. That's correct.

16 Q. And that was the 1.6 million of revenue
17 reduction that actually we talked about earlier this
18 morning?

19 A. That's the guaranteed minimum. We're hopeful
20 we're able to do it -- develop synergies greater than that.
21 And anything above that would automatically flow through.

22 Q. Now, would you agree with me, sir, that the
23 values shown here do not include any shareholder benefit
24 that might result from increased competitive strength?

25 A. That's true. We're not in a competitive

1 market for retail.

2 Q. Do you agree with me that this value does not
3 include any shareholder benefit that might result from an
4 increased ability to provide enhanced returns to
5 shareholders?

6 A. Through what mechanism are you planning on
7 those enhanced returns? If you could help me, I could
8 answer -- a little bit.

9 Q. I think the question is just -- the numbers
10 here that we're looking at, do they include any allowance
11 for that?

12 A. For -- the returns that are based in here are
13 the returns allowed by this Commission.

14 Q. And would you agree that the numbers here that
15 we've been looking at don't include any shareholder benefit
16 that might result from an increased generation resource
17 portfolio?

18 A. They do consider the -- the increased benefit
19 of joint dispatch which increases the folio, yes.

20 Q. And that appears where, sir?

21 A. That would be up under the savings that would
22 occur up on line 1 under Roman I Dispatching/Generation
23 Savings which Mr. DeBacker is the witness on for the
24 company.

25 Q. I won't ask you some of the questions that I

1 asked Mr. Green yesterday --

2 A. Thank you.

3 Q. -- for fear that you might disagree with him,
4 and that would put both of us in a terrible position.

5 A. I'm not worried about that too much. Thank
6 you.

7 Q. Let me now direct you to Exhibit 503. We're
8 going to be looking, sir, at the second page of that. It's
9 printed in landscape form. Are you there?

10 A. Yes.

11 Q. Okay. The row five or Roman Numeral V, the
12 very first column has a box around it, does it not?

13 A. That's correct.

14 Q. And that corresponds not only to the line also
15 Roman Numeral V on Exhibit 502, but also to the summary on
16 Exhibit 502 that is the -- I guess it would be the next to
17 last page of Exhibit 502 --

18 A. That's correct.

19 Q. -- does it not?

20 And if I stay on that line and I look over
21 here and I see a negative 34 million to steam; is that
22 correct?

23 A. That's what the number shows, but that's not
24 the purpose of this data.

25 Q. And I want to correct you before I stumble.

1 We're talking about 34,000. I think I may have asked you
2 and you responded to 34 million.

3 A. Right.

4 Q. But we both meant 34,000?

5 A. 34,000.

6 Q. Now, that's enclosed in parens, so that would
7 indicate something other than a benefit. Correct?

8 A. That's correct.

9 Q. And as we move on down that sheet, we see
10 continuing numbers that are negative that indicate a
11 detriment at least to the steam customers, do we not?

12 A. Well, this exhibit, if I might explain --

13 Q. Well, I'll -- you'll have an opportunity to
14 explain, but would you work with my question first?

15 A. They show a negative, but it's irrelevant.

16 Q. So the material here that you've provided as a
17 summary of the synergy of benefits is irrelevant. Is that
18 your testimony?

19 A. No. This data request. Your question was to
20 show us the method that we're going to allocate, not the
21 numbers. That was your question. The data request asks to
22 show the methodology of allocation, not necessarily the
23 exact numbers.

24 When this data request was performed, this was
25 the methodology that we were working on to allocate the

1 synergies and premium among the different jurisdictional
2 areas. And, of course, the synergies and everything have
3 been updated since then and we've continued to work a little
4 bit on the premium.

5 In other cases we've had to refine that a
6 little bit more because of state requirements, and now we're
7 looking at what we believe the premium should be allocated
8 based on synergy capability of generation.

9 Q. Now, you would agree with me that the
10 methodology that is shown here that you provided in response
11 to our data request represents annual averages?

12 A. Yes.

13 Q. So --

14 A. Well, let me correct that. Annual averages
15 were used. The allocation methods are shown under product
16 type and allocation name and then the next page goes into
17 the allocation methods, which is --

18 Q. So staying on line five or Roman Numeral V of
19 that exhibit, I would really need to -- if I wanted to look
20 at the totals of the allocations over the five-year period,
21 for the electric I would need to multiply that by five
22 because it was divided by five to get to the annual average.
23 Right?

24 A. Well --

25 Q. Just work with my question, sir.

1 A. No.

2 Q. How do you do an average, sir?

3 A. An average is quantity divided by some factor.

4 Q. What did you divide -- what was your divisor

5 in this calculation?

6 A. I don't have that number in front of me.

7 Q. Would it be five?

8 A. Well, the divisor -- yes, five. I'm sorry.

9 Q. And what would be the dividend that you used

10 in that calculation?

11 A. The dividend would be five times that number.

12 Q. Okay. So the steam number here on line Roman

13 Numeral V of a detriment of 34,000, that represents a

14 quotient then. Correct?

15 A. In this calculation, which I previously

16 testified here with you today is irrelevant because it

17 hasn't been updated.

18 Q. On the form that we provided to you, sir, when

19 we asked this data request, did you not understand that

20 you're under an obligation to provide us with an updated

21 response if any of the data changes in any material way?

22 A. We did, and we mailed that to your office. It

23 was flighted to the Staff the day before yesterday and so

24 mailed to your office at that time.

25 Q. Oh, I see. So it was mailed the day before

1 yesterday?

2 A. That's correct. That's when it was completed.

3 Q. The day before yesterday was Sunday.

4 A. Sorry. Yesterday then.

5 Q. Okay. And I was here yesterday as were you?

6 A. That's correct.

7 Q. So we're still working with this number then
8 as far as I'm concerned.

9 A. You are, yes.

10 Q. Because we haven't received an update of an
11 your data request. You could have handed one to me,
12 couldn't you?

13 A. That was an option, I guess. Our Kansas City
14 office took care of the delivery.

15 Q. Well, I don't want to get into finger pointing
16 with you, but the point I think is that at least insofar as
17 this data request, which you indicate here was responded to
18 on or about January 9, this has been what we've been working
19 with up to now?

20 A. That's fine.

21 Q. Now, the same series of questions -- and I
22 won't bother either the Judge or the record with that, but
23 if we were to go through that, we'd get to the same type of
24 a conclusion with respect to the gas numbers. Right?

25 A. Under your assumptions, yes.

1 Q. And I mean, under your assumption, of course,
2 it's all irrelevant because of what you did yesterday, but
3 let's work with these numbers.

4 A. Well, there's more reasons for irrelevancy,
5 but you don't want me to get into that.

6 Q. Again, the gas number here, the 35,000 in
7 parens, is a quotient. Correct?

8 A. That's correct.

9 Q. What are your plans for the steam system in
10 St. Joseph, Mr. McKinney?

11 A. I don't make plans. Mr. Green addressed that
12 yesterday.

13 Q. So you're not in that loop?

14 A. No, I'm not.

15 Q. I recall yesterday that you were in the loop
16 of people that were called by Mr. Myers about the -- shall
17 we say the June 7th incident?

18 A. I believe Mr. Myers contacted Vicki Hyder. I
19 attended the meeting, yes.

20 Q. So you were in that loop?

21 A. That's correct.

22 Q. Are you aware of any materials that have been
23 provided in this case, regardless of whether they were
24 provided to us yesterday, that would indicate a plan to
25 discontinue the steam service?

1 A. I'm not aware of any plans -- by who? Excuse
2 me. Let me ask you to clarify, if I can.

3 Q. Any party to this case.

4 A. None that were not discussed yesterday.

5 Q. Are you aware of any proposal that has been
6 brought to either board to discontinue steam service?

7 A. No, I am not.

8 MR. CONRAD: Your Honor, I believe that's all
9 we have for Mr. McKinney.

10 THE WITNESS: Thank you.

11 JUDGE WOODRUFF: City of Springfield is not
12 here, so Public Counsel?

13 CROSS-EXAMINATION BY MR. MICHEEL:

14 Q. Is it correct, Mr. McKinney, you're in general
15 agreement with the testimony given by Mr. Green yesterday?

16 A. Generally, yes.

17 MR. MICHEEL: That's all I have, your Honor.

18 JUDGE WOODRUFF: Staff?

19 MR. DOTTHEIM: Staff has no questions on this
20 topic. I think this is one of the areas as there were other
21 areas where they seem to have overlapped. And in reviewing
22 Mr. McKinney's direct and surrebuttal, I don't have any
23 questions that I think directly relate to this item, but
24 Mr. McKinney is up again on the next area, regulatory plan
25 overall, which I do have questions.

1 And I've discussed with counsel for UtiliCorp,
2 hopefully none of us during the course of the remainder of
3 the proceedings will get into any major disputes as to
4 whether a question should have been asked in an earlier
5 subject area of the case because of the overlap and us not
6 having identified -- not that anyone would be charged with
7 that, but us not having identified portions of testimony
8 which we believed addressed specific areas.

9 JUDGE WOODRUFF: I understand this is all
10 rather fluid and we'll deal with it as we go.

11 MR. DOTTHEIM: Thank you.

12 JUDGE WOODRUFF: I have no questions from the
13 Bench, so there will be no need for cross-examination --
14 further cross-examination or recross. So we'll go to
15 redirect.

16 MR. SWEARENGEN: A couple of questions, your
17 Honor.

18 REDIRECT EXAMINATION BY MR. SWEARENGEN:

19 Q. Mr. McKinney, first looking again at
20 Exhibit 503 that Mr. Conrad asked you about, tell me again
21 what your understanding of the purpose of that data request
22 was.

23 A. To show at that time to the Intervenor what
24 our proposed methods of allocating the various lines on this
25 schedule would be, the costs and the premiums, to the

1 various jurisdictional areas.

2 Q. Okay. And I think you said there were several
3 reasons, at least in your mind, why, other than that, the
4 exhibit really wasn't relevant?

5 A. That's correct. As we move through the
6 process of these mergers, of course, we've learned a few
7 things. One thing that we did learn was that as we move
8 through another merger, we were asked to allocate and come
9 forward with allocation methods to allocate by
10 jurisdictional areas. That caused me to look a little more
11 carefully.

12 And at this point we are recommending that the
13 premiums be allocated to various jurisdictional areas based
14 on the capability of developing synergies. If an area
15 cannot develop a synergy, than no premium would be allocated
16 to that area. So, therefore, that does change the mix here
17 and the premium allocation has changed for that.

18 The other part of irrelevance is that this
19 schedule dealt with years one through five, which is the
20 moratorium piece, and none of these costs or premiums are
21 being allocated to anybody.

22 Q. Okay. One last question in response to a
23 question from Mr. Micheel. I believe he wanted to know if
24 you were in general agreement with the testimony offered by
25 Mr. Green yesterday. And I believe you said that your

1 answer was yes.

2 My question to you, you are the primary
3 witness on the UtiliCorp regulatory plan. Do you have any
4 comments with respect to Mr. Green's testimony with respect
5 to the details of that plan that you might not necessarily
6 agree with?

7 A. Well, I'm not saying I agree or disagree. An
8 expansion would be, in the regulatory plan there was
9 testimony given by Mr. Green yesterday on the moratorium and
10 his understanding of that and the practicalities of it, what
11 we would like to see in the moratorium. Practicalities,
12 legal requirements on this Commission are somewhat
13 different.

14 This Commission can, of course, only bind
15 itself and its own Staff. We would like to see all parties
16 go along with the moratorium. And, therefore, we could have
17 better guarantees as we move through those five years. But,
18 of course, we realize what the Commission can do and cannot
19 do.

20 MR. SWEARENGEN: Okay. Thank you.

21 JUDGE WOODRUFF: All right. You may step down
22 then.

23 THE WITNESS: Thank you.

24 JUDGE WOODRUFF: I believe the next witness
25 then is for Staff.

1 MR. DOTTHEIM: Staff would call as its first
2 witness on merger cost benefits Mark L. Oligschlaeger.

3 (Witness sworn.)

4 JUDGE WOODRUFF: You may inquire.

5 MR. DOTTHEIM: At this time I'd like to
6 provide to the court reporter three copies of the rebuttal
7 testimony of Mark Oligschlaeger that have been pre-marked as
8 Exhibit 713.

9 JUDGE WOODRUFF: Okay.

10 (EXHIBIT NO. 713 WAS MARKED FOR
11 IDENTIFICATION.)

12 MARK L. OLIGSCHLAEGER testified as follows:

13 DIRECT EXAMINATION BY MR. DOTTHEIM:

14 Q. Mr. Oligschlaeger, do you have a copy of what
15 has been marked as Exhibit 713?

16 A. Yes, I do.

17 Q. Okay. Well, would you first state your full
18 name for the record, please.

19 A. My name is Mark L. Oligschlaeger.

20 Q. And would you please identify your place of
21 employment.

22 A. Yes. I am employed as a regulatory auditor by
23 the Missouri Public Service Commission.

24 Q. And, again, you have a copy of what has been
25 pre-marked as Exhibit 713?

1 A. Yes, I do.

2 Q. Which is your rebuttal testimony in this
3 proceeding. Correct?

4 A. Yes.

5 Q. Do you have any corrections at this time to
6 make to Exhibit 713?

7 A. Yes. I have a few non-substantiative changes.
8 The first one is on page 30, line 2 of my rebuttal testimony

9 JUDGE WOODRUFF: I'm sorry. What page was
10 that?

11 THE WITNESS: Page 30, 3-0. And I would like
12 to insert the word "because" between the words "primarily"
13 and the word "the."

14 JUDGE WOODRUFF: On what line?

15 THE WITNESS: Line 2. My next one is on
16 page 31, line 13. The reference to Schedule VJS-11 should
17 be corrected to VJS-1. The next one is page 43, line 19,
18 the word "non-merger" should be changed to "merger."

19 MR. SWEARENGEN: Excuse me. What page was
20 that?

21 THE WITNESS: Page 43.

22 MR. SWEARENGEN: Oh, I'm sorry. Which line
23 again?

24 THE WITNESS: Line 19.

25 MR. SWEARENGEN: Thank you.

1 THE WITNESS: On page 45, line 15 the first
2 word on that line "recover" should be changed to "recovery."
3 Page 50, line 18 following the word "alternative" -- the
4 word "regulation" should be inserted. On page 52, line 11
5 at the end of that line the word "commission" should be
6 capitalized. And my last change is on page 53, line 7, the
7 word "previously" at the end of that line at the end of that
8 sentence should be deleted.

9 BY MR. DOTTHEIM:

10 Q. Mr. Oligschlaeger, if I asked you the same
11 questions that are contained in your rebuttal testimony,
12 would your answers as just corrected be the same?

13 A. Yes, they would.

14 Q. You adopt what's been marked as Exhibit 713 as
15 your rebuttal testimony in this proceeding?

16 A. Yes, I do.

17 MR. DOTTHEIM: At this time I would like to
18 tender Mr. Oligschlaeger for cross-examination and offer
19 Exhibit 713.

20 JUDGE WOODRUFF: Okay. We'll begin with
21 cross-examination then. And starting with Department of
22 Natural Resources?

23 MS. WOODS: Thank you.

24 CROSS-EXAMINATION BY MS. WOODS:

25 Q. Mr. Oligschlaeger, I just have one question

1 basically to help clarify some things for me. Is it correct
2 that the focus in the company's analysis of the merger
3 savings is on rates paid by customers?

4 A. I think the focus of their savings analysis
5 would pertain to items and their cost of service, which
6 would be potentially reduced through this merger
7 transaction.

8 MS. WOODS: Thank you.

9 JUDGE WOODRUFF: All right. AGP?

10 MR. CONRAD: No questions, your Honor. Thank
11 you.

12 JUDGE WOODRUFF: City of Springfield is not
13 here. Public Counsel?

14 CROSS-EXAMINATION BY MR. MICHEEL:

15 Q. Mr. Oligschlaeger, could you turn to page 3 of
16 your testimony? I'm focusing on footnote 1 there.

17 A. Yes.

18 Q. The fifth line there you have the word "coy."
19 Should that be "copy"?

20 A. Arguably, yes.

21 Q. Just wanted you to know I read it.

22 MR. MICHEEL: I have no other questions.

23 JUDGE WOODRUFF: Thank you. Union Electric is
24 not here. UtiliCorp?

25 MR. SWEARENGEN: Thank you, your Honor. Just

1 a couple.

2 CROSS-EXAMINATION BY MR. SWEARENGEN:

3 Q. Mr. Oligschlaeger, if you'd turn to page 20 of
4 your rebuttal testimony, please. On lines 13 and 14 at
5 page 20 you state that, Merger cost savings in contrast are
6 very speculative and difficult, perhaps impossible, to
7 accurately measure.

8 And my question is, are you making this
9 statement as a general proposition with respect to all
10 mergers that might come before this Commission?

11 A. I think that would certainly follow that in
12 general. Actual-- an accurate quantification of merger
13 savings is very difficult, and I would argue probably
14 impossible to do.

15 Q. And I assume obviously you're saying that that
16 is your opinion with respect to the present merger.
17 Correct?

18 A. That is correct.

19 Q. But you would also say that with respect to
20 any merger that might be brought before the Commission.
21 True?

22 A. Yes, I would. And I believe I have in the
23 past.

24 Q. Do I take it from this statement from you that
25 it is the Staff's position in this case that there is no way

1 for UtiliCorp to demonstrate in a future rate case that a
2 savings has resulted from this merger?

3 A. Certainly in the context of your proposal, I
4 think after a five-year period at the very least we would be
5 extremely skeptical that any such demonstration could be
6 made.

7 Q. In your view -- and you qualified your answer
8 by saying in the context of the UtiliCorp proposal. Is
9 there some other way that this could be done, in your view,
10 that would permit UtiliCorp in a future rate case five years
11 from now to demonstrate that a savings has resulted?

12 A. After five years, no, I don't believe so.

13 Q. Also, on page 20, lines 17 through 20, you
14 make the statement, It will always take a leap of faith to
15 make a tentative determination that merger savings exceed
16 merger costs, and that determination inherently places the
17 risk of obtaining merger savings on customers rather than
18 the utilities.

19 And my question to you is -- as the first
20 question, are you making this statement as a general
21 proposition with respect to all proposed mergers?

22 A. Yes. It was intended as a general -- or I
23 would say it is a general proposition.

24 MR. SWEARENGEN: That's all I have. Thank
25 you.

1 JUDGE WOODRUFF: St. Joseph Light & Power?

2 MR. COMLEY: No questions. Thank you.

3 JUDGE WOODRUFF: Thank you. Questions from
4 the Bench then, Commissioner Murray?

5 COMMISSIONER MURRAY: Thank you.

6 QUESTIONS BY COMMISSIONER MURRAY:

7 Q. Good morning.

8 A. Good morning.

9 Q. If merger cost savings are practically if not
10 impossible to measure, how could we -- or let me ask you
11 this. Are you saying that customers should never be sharing
12 in the costs of a merger because it would be impossible to
13 show that the savings exceeded the cost?

14 A. Okay. The specific statements and
15 particularly the ones that Mr. Swearngen referenced earlier
16 had to do with merger premium costs, and those aren't the
17 only kind of merger costs. And I think we've taken the
18 position in the past of so-called costs to achieve under
19 certain circumstances and certain kinds of costs should be
20 allowed recovery in rates.

21 Q. But in order to find it's not detrimental to
22 the public interest or to those customers, would you not
23 have to also show the savings at least exceeded -- at least
24 met those costs, how they're classified?

25 A. Okay. Yes. And the practical test we have

1 used and looked at in mergers in the past is to look at the
2 amount of estimated merger savings and compare that to the
3 amount of non-acquisition adjustment merger costs which are
4 primarily transaction costs and what we call costs to
5 achieve.

6 And normally the estimated merger savings far
7 exceed the amount of those types of merger costs. Now,
8 there's never any guarantee -- you can never say with
9 absolute certainty that merger savings will exceed merger
10 costs later on, as Dr. Proctor would say, ex-post, because
11 we don't have a way of accurately tracking it.

12 But as a reasonable standard, to the extent a
13 company can -- can make reasonable estimates of an amount of
14 merger savings, if it's far in excess of the known merger
15 costs, once again not counting the premium, I think that
16 gives us and probably should give the Commission some level
17 of comfort that the overall transaction may not be
18 detrimental.

19 Q. If the company had an estimate that the merger
20 savings greatly exceeded the costs including the acquisition
21 premium, why would you not be comfortable with that?

22 A. First of all, I'm not sure that scenario has
23 necessarily come about, because most of the premiums we've
24 seen in recent years are sizeable for whatever reason.

25 The other -- I mean, the other reasons we have

1 for recommending, in general, below the line treatment for
2 acquisition premiums is -- are we do believe they are
3 primarily paid in view of shareholder interests. In many
4 cases, including this transaction, there are significant
5 non-regulated benefits that the companies normally assume
6 from the transaction and that opens up the entire question
7 of how do you divvy up and split up the premium among all
8 the different parties that will benefit? And it strikes us
9 that that would be a very difficult process to do.

10 And the better and the easier way to do it, if
11 necessary, is to first of all, allow regulatory lag to
12 provide the company some return on its merger investment.
13 And if regulatory lag under some specific situation is not
14 sufficient, then some discreet proposal to share merger
15 savings could be entertained.

16 Q. Okay. I'm just struggling with a distinction
17 here between the acquisition premium and the other merger
18 costs. And you talked about the difficulty of divvying up
19 the acquisition premium between all of the parties who would
20 benefit from the merger. Don't all of -- wouldn't it be
21 equally difficult to divvy up the other merger costs?

22 A. Okay. Let me maybe clarify that. Other types
23 of merger costs -- first of all, one type is the transaction
24 cost. And our position in this case and elsewhere has been
25 that those should be treated as part of the acquisition

1 premium because those costs conceptually are similar to
2 that.

3 For costs to achieve, those are costs
4 specifically related to achieving regulated savings. Okay?
5 And because they're related to that and companies would
6 argue they are necessary in order to achieve those regulated
7 savings, to the extent those regulated savings go to
8 customers, then those costs to achieve should likewise be
9 allocated to them.

10 Q. So it's your position that the other costs,
11 the acquisition costs and the tran-- is it transition or
12 transaction costs --

13 A. Well, it's --

14 Q. -- that are included in the category of
15 acquisition?

16 A. It's transaction costs that go with the
17 acquisition premium, in our view.

18 Q. Is it your position then that those costs are
19 not in any way related to the savings to the ratepayers?

20 A. It is alleged that they are in the sense that
21 the company has to pay those costs in order to make the
22 transaction come about and the merger savings won't occur
23 without the transaction coming about.

24 But it's been our view that there are many
25 reasons why companies propose to undertake mergers, and

1 acquisitions of which achieving regulated savings or savings
2 that would benefit their customer base is only one and it's
3 not even sometimes a primary reason for undertaking the
4 transaction.

5 Q. Okay. And is it your position that you don't
6 have a problem with the shareholders seeing or recognizing
7 some of the merger savings so long as it is only indirectly
8 and for a very short period of time?

9 A. Well, the primary means by which that would be
10 done is regulatory lag. And I can't tell you what the right
11 amount of regulatory lag is to allow to a company. I mean,
12 if a company has sufficient earnings to stay out -- for --
13 from before this Commission for a rate proceeding for five
14 or more years, is that a bad thing? Well, potentially if
15 its returns on equities get to an excessive level for a long
16 period of time, it could be.

17 But, I mean, should -- is there a hard and
18 fast rule that every two or three rules you need to come in
19 and make sure all merger savings are passed on to customers?
20 I think it just depends on the circumstances of where the
21 utility's earnings levels are.

22 Q. And isn't the period that would be allowed for
23 regulatory lag -- isn't that pretty much of an unknown as
24 far as how much the shareholders would gain from that?

25 A. There's certainly always a level of

1 uncertainty over when we might -- the Staff might or other
2 parties might seek a complaint. I mean, yeah. Obviously
3 you can go by past history to some degree though.

4 Q. So if the only way that the company could
5 receive savings to off set the shareholders paying the
6 complete acquisition premium and the other transaction
7 costs -- if regulatory lag were the only way that were
8 allowed, what guidelines would the Staff use to determine
9 when it was time to file a rate case?

10 A. You mean an earnings complaint?

11 Q. That's what I mean, yes. Thank you.

12 A. For -- normally in most of the merger and
13 acquisition cases that have come before us, the big ones,
14 they have been settled -- there's been an overall
15 settlement, there was a Stipulation and Agreement that among
16 other things, provided for a rate moratorium period that was
17 agreed to by all of the signatories. And that period has
18 gone as far as three years, I believe. I think that was
19 agreed in the Western Resources/KCPL merger case that was
20 before the Commission last year.

21 Would we agree to a longer moratorium than
22 that? I guess that's possible. I think we would certainly
23 be more comfortable with a longer moratorium period that had
24 some kind of prescribed rate reduction or rate credit or
25 something like that that would at least pass on some amount

1 of merger savings to customers if it went significantly
2 beyond three years.

3 Q. And in this proposal, the Staff is unwilling
4 to agree to the five-year moratorium I'm assuming for
5 various reasons, one of which would be that the acquisition
6 premium would begin to be recovered in year six; is that
7 correct?

8 A. Well, we recommend that the company's
9 regulatory plan not be adopted, which does include a
10 provision for the five-year rate moratorium. If for some
11 reason some kind of overall settlement or reasonable
12 settlement of this case could be made, I don't think we
13 would be automatically opposed to the idea of a moratorium
14 for some period of time.

15 Q. And tell me -- if you would, clarify Staff's
16 position as to this merger in general. Is it true that
17 Staff is opposed to the merger regardless of whether the
18 Commission would adopt conditions?

19 A. It's our belief that the conditions that
20 conceivably could be adopted by this Commission may not
21 necessarily serve to eliminate the potential detriment we
22 see based on the relative level of merger savings and merger
23 costs, the evidence that's been -- that we've reviewed and
24 examined in this case.

25 Q. And it's your position that merger costs

1 exceed merger savings?

2 A. Under more reasonable assumptions than
3 utilized by the company -- companies.

4 Q. On page 30 of your testimony at line 20 you
5 make the statement, This alleged guarantee of net savings to
6 customers -- and you're speaking about the 1.6 million --
7 would have the effect of only providing customers only a
8 very minimal and inadequate share of total purported merger
9 savings.

10 There it seems to be that you're saying there
11 are merger savings in excess of the costs and sharehold-- or
12 the ratepayers should be receiving more.

13 A. Okay. In this -- what I'm saying here assumes
14 that the company's estimates of merger savings and costs are
15 accurate and then that the regulatory plan would be put into
16 effect. And under those assumptions, my testimony states
17 that less than 5 percent of total merger savings over a
18 10-year period would flow to customers.

19 Q. Okay. And you think that the reason that
20 those -- that the ratepayers should share in the savings is
21 that under the company's proposal they would be sharing in
22 the costs? Are you taking -- are you responding as if the
23 Commission had adopted the company's -- had approved the
24 company's proposal?

25 A. In the context of the answer which you asked

1 me to look at here, that question and that answer assumes,
2 yes, that the -- that the Commission would actually adopt
3 the company's regulatory plan and that their assumptions of
4 merger savings and costs are correct.

5 Q. Because, I take it, you're not saying that
6 shareholders -- in order for a merger to not be in the
7 public interest, that ratepayers have to receive some sort
8 of a savings -- a net savings?

9 A. No. They don't have to. If they are left
10 status quo, it's my understanding that would meet the legal
11 test.

12 Q. And do you think the plan that's proposed
13 would be detrimental to the Missouri Public Service
14 customers' ratepayers?

15 A. To Missouri Public Service customers in
16 particular --

17 Q. Yes.

18 A. -- or specifically?

19 Q. Specifically?

20 A. Yes, I do. Because the company's plan would
21 require that MPS customers not be allowed -- or that that
22 division not be assigned to certain savings that we believe
23 should be assigned to those customers both in the areas
24 of -- particularly joint dispatch proceeds as well as in the
25 corporate allocations area.

1 And by not receiving those savings or the
2 potential to have those savings reflected in the rates, MPS
3 rates will be stated higher than they otherwise would be,
4 which would have the impact of allowing UtiliCorp to recoup
5 some proportion of the merger premium through basically a
6 subsidy provided by MPS customers.

7 Q. On page 44 of your testimony you talk about
8 the joint applicants asking the Commission to make certain
9 findings, including the capital structure freezes that are
10 recommended?

11 A. Yes.

12 Q. Can you explain how those capital structure
13 freezes would effect rates?

14 A. Okay. Under the company's regulatory plan,
15 when they come in in year five for the rate proceedings for
16 St. Joseph electric, steam and gas customers, it would be
17 their intent under this provision to, for rate purposes,
18 treat the St. Joseph Light & Power capital structure at a
19 pre-merger level of 53 percent -- I believe it's 53 percent
20 equity, 47 percent debt and not treat it by the overall cost
21 of capital that at that point would actually finance the
22 St. Joseph Light & Power operations.

23 And it's our belief that the actual cost to
24 finance those operations would be less costly in rates than
25 the St. Joseph Light & Power frozen capital structure

1 proposed here. And that would be another way which rates
2 would be kept high at an artificial level to finance, in
3 part, the merger premium.

4 Q. Because debt is cheaper than equity and
5 UtiliCorp has a higher debt ratio?

6 A. That's my general understanding.
7 Mr. Broadwater would be able to give you more specifics.

8 Q. And on page 53 of your testimony you say, If
9 the Commission is still interested in exploring the
10 usefulness of alternative regulation methods in general for
11 utilities in a post-merger environment, the Staff sees two
12 options.

13 And I was wondering, are you recommending that
14 the Commission look at one or both of those options?

15 A. No. This isn't an affirmative recommendation
16 that you do either. This is a way of asking you if the
17 Commission still believes that these are appropriate ways to
18 proceed, please let us know and tell us how best to
19 implement them.

20 COMMISSIONER MURRAY: That's all my questions,
21 your Honor. Thank you.

22 JUDGE WOODRUFF: Thank you. I have no
23 questions, so we'll go to recross starting with Natural
24 Resources.

25 MS. WOODS: No questions. Thank you.

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JUDGE WOODRUFF: AGP?

MR. CONRAD: Just one small area, Judge.

RE CROSS-EXAMINATION BY MR. CONRAD:

Q. Mr. Oligschlaeger, Commissioner Murray asked you a series of questions actually about the cost and benefits. And in responding to her question about the MO Pub customers, you used or perhaps she used and you responded to the term "detriment." Do you recall that general area?

A. I believe she asked me if we believed it was a detriment to MPS customers.

Q. My question to you on that point is, how do you define what a detriment to a customer is in the context of this kind of transaction?

A. In general, if those customers will be asked to pay higher rates in the future as a result of the merger. Now, I could qualify that perhaps in some ways. Quality of service considerations might come in, but generally, it's just a pure question will rates increase or will rates be higher than they otherwise would be because this transaction takes place?

Q. Now, the response about rates being higher than they otherwise would be, you're talking there in the context of a cost of service regulation?

A. Yes, I am.

1 Q. So we would be really saying that under a
2 more -- excuse me -- that under a rate case scenario, if you
3 looked at the costs of that company, including its rate of
4 return and all of the various things that we look at in a
5 rate case, the ratepayers would end up paying a rate that
6 was higher than what the costs and the rate of return of the
7 company would in that rate case show?

8 A. Yes.

9 Q. Now, Mr. Oligschlaeger, would you agree with
10 me that it is inappropriate for captive customers of a
11 public utility to be forced at the price, if you will, of
12 not taking the utility service that has been determined to
13 be a public necessity -- would it be inappropriate to charge
14 those customers the costs associated with that same public
15 utility's forays into a competitive market?

16 A. As a general proposition, captive customers
17 should not pay costs nor receive benefits associated with
18 competitive non-regulated ventures.

19 Q. They should just be, in your view, insulated
20 from the whole thing. Correct?

21 A. As much as possible.

22 Q. And would you agree with me that anyone that
23 would propose charging those captive customers the costs of
24 the utility's forays into a competitive area has seriously
25 misunderstood the purpose of regulation?

1 A. My -- that would certainly be at odds with my
2 view of the purpose of regulation.

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

4 JUDGE WOODRUFF: Thank you. Let's go then --
5 City of Springfield is not here, so Public Counsel?

6 RECROSS-EXAMINATION BY MR. MICHEEL:

7 Q. Commissioner Murray asked you various -- about
8 various regulatory lag options and rate moratorium options
9 and whether they were acceptable to the Staff. Do you
10 recall those questions?

11 A. Yes, I do.

12 Q. Did UtiliCorp ever express any interest to
13 this Staff as an alternative to its proposed regulatory plan
14 in this proceeding that would consist solely of a rate
15 freeze or a rate moratorium?

16 A. Not that I'm aware of.

17 Q. Is it unusual for a company not to try to
18 negotiate a settlement with the Staff?

19 A. It's certainly not unknown, particularly in
20 the context of merger and acquisition cases that I'm aware
21 of.

22 Q. Commissioner Murray also asked you some
23 questions with regard to the frozen capital structure, I
24 believe, on page 40 of your testimony. Do you recall those
25 questions?

1 A. Yes, I do.

2 Q. Do you have an opinion as a regulatory auditor
3 whether it's appropriate to freeze a capital structure for
4 10 years for purposes of setting rates?

5 A. As a regulatory auditor, I would venture to
6 say I don't think it's -- would be appropriate to freeze any
7 element of cost of service for a 10-year period.

8 Q. And am I correct that it's appropriate in
9 setting rates that you should look at all factors, all
10 factors of cost of service within the confines of that test
11 year or the known and measurable period presented by the
12 company?

13 A. Yes, I would agree with that.

14 Q. And is it your understanding of the company's
15 regulatory plan on the various issues you've listed on
16 page 40 that that would not occur within the confines of
17 that regulatory plan?

18 A. It's my understanding that various elements of
19 their cost of service -- they were at least seeking a
20 commitment from the Commission that they will be fixed for a
21 period of 10 years.

22 MR. MICHEEL: That's all I have. Thank you,
23 Mr. Oligschlaeger.

24 JUDGE WOODRUFF: And UtiliCorp?

25 MR. SWEARENGEN: Thank you.

1 REXCROSS-EXAMINATION BY MR. SWEARENGEN:

2 Q. Mr. Oligschlaeger, in response to a question
3 from Commissioner Murray, you indicated that the Staff could
4 possibly agree to more than a three-year rate moratorium,
5 but then you mentioned something about some rate credits.
6 Could you expand on that, please?

7 A. Yeah. Obviously I'm dealing totally with
8 hypotheticals. In reality I don't recall that we've ever
9 gone beyond three years in terms of making a recommendation
10 or entering into a stipulation with this Commission
11 involving a moratorium.

12 Conceptually, if we were to go beyond three
13 years -- and I'm not saying that's a good idea, but if we
14 were, at least in my own mind, in a merger situation there
15 would need to be some provision for passing on some measure,
16 some part of achieved merger savings during -- at some
17 mid-point or at some scheduled duration during the time
18 frame of the moratorium, either through a rate credit or
19 perhaps agreed-upon rate reductions.

20 Q. So, for example, if we were talking about a
21 five-year moratorium, after three years the Staff would be
22 interested in some way to revisit that perhaps to see if at
23 that point in time some savings could be passed on to the
24 customers? And I'm not trying to pin you down on any
25 specifics, but just trying to get an idea conceptually of

1 what you're talking about.

2 A. Once again, pure concept. Let's say we
3 could -- otherwise, a four-year moratorium could be agreed
4 to. I would think perhaps it would be appropriate to
5 consider the idea at the mid-point, at two years some -- a
6 rate reduction or a rate credit representing in some manner
7 merger savings up to that point or some portion of merger
8 savings up to that point should be passed on to customers.

9 Q. I appreciate that. And I won't hold you to
10 that until the next case.

11 A. All right.

12 Q. Let me ask you this question. Did UtiliCorp,
13 in fact, come down and visit with the Staff and discuss this
14 proposed merger and possible regulatory plans prior to
15 filing the application?

16 A. Yes, they did.

17 Q. And there were various options discussed at
18 that time?

19 A. I recall there were.

20 Q. I think also in response to a question from
21 Commissioner Murray, you indicated that if the Missouri
22 Public Service rates stayed the same as a result of this
23 merger, that there would be no detriment. Was that your
24 testimony?

25 A. I don't believe I stated that.

1 Q. Well, what did you say?

2 A. At least what I attempted to say was that we
3 would view that, in effect, taking Missouri Public Service
4 off of cost-based regulation in order to keep them at the
5 pre-merger rate level in order to finance part of the
6 premium is, in our view, detrimental.

7 Q. If the merger doesn't happen, obviously there
8 would be no impact on MPS rates as a result of that; isn't
9 that true?

10 A. Yes. I believe so.

11 Q. Okay. And, conversely, if the merger does
12 happen, you think there should be a positive impact or a
13 lowering of the MPS rates as a result in order to satisfy
14 the not detrimental to the public interest test?

15 A. In order to satisfy the not detrimental test,
16 there would not have to be a lowering, but I view in
17 actuality what the company is proposing in regard to Mo Pub
18 would indirectly charge them for the merger premium, but at
19 the same time provide them with no measure of merger
20 savings.

21 Q. If you look at page 8 of your testimony,
22 please, beginning on line 15, you testify that only a very
23 minimal portion of estimated merger savings should be
24 assigned to MPS for rate purposes with the bulk of such
25 savings to be assigned to the SJLP division.

1 Is that your understanding as to how the
2 regulatory plan would work?

3 A. It's my understanding that with the possible
4 exception of a small piece of energy-related savings, all of
5 the merger savings are assumed to be assigned to the St. Joe
6 division.

7 Q. But there would be, at least according to your
8 testimony, some savings flowing to the MPS customers; is
9 that right?

10 A. Like I said, there's -- I think it's -- the
11 company's proposing that 50 percent of the capacity savings
12 estimated to result from the merger should go to MPS. And I
13 believe that's an amount of -- I don't recall, somewhere
14 between 1 and 3 million in total over a 10-year period.

15 Q. And that would be a benefit to the MPS
16 customers?

17 A. As I stated, it would be a very minimal
18 benefit, but yes, that in isolation would be a benefit.

19 MR. SWEARENGEN: Thank you. That's all I
20 have.

21 JUDGE WOODRUFF: St. Joseph?

22 MR. COMLEY: No questions. Thank you.

23 JUDGE WOODRUFF: Earlier we skipped Union
24 Electric because they were not here.

25 Going back to redirect, Staff?

1 MR. DOTTHEIM: Thank you.

2 REDIRECT EXAMINATION BY MR. DOTTHEIM:

3 Q. Mr. Oligschlaeger, Mr. Swearengen and
4 Commissioner Murray, I believe, asked you questions about
5 identifying merger savings. Would you expect St. Joseph
6 Light & Power to experience savings that are non-merger
7 related?

8 A. It would be our hope and expectation. And
9 companies are always trying to achieve savings whether
10 through a merger or more commonly through non-merger means.

11 Q. Is it possible to identify total savings?

12 A. Total savings --

13 Q. Total savings being all savings from various
14 portions, whether they be non-merger savings or savings
15 resulting from a renegotiation of a fuel contract.

16 A. If I understand your question, you could
17 probably develop a means to obtain an estimate of what total
18 savings are, though that wouldn't -- those means wouldn't
19 provide you with a way of distinguishing between merger and
20 non-merger related savings.

21 Q. Is, in large part, the difficulty in
22 identifying merger savings the difficulty in disaggregating
23 total savings?

24 MR. SWEARENGEN: Objection. That's a leading
25 question.

1 JUDGE WOODRUFF: Sustained.

2 BY MR. DOTTHEIM:

3 Q. Mr. Oligschlaeger, I think you've indicated
4 that there is some difficulty in identifying merger savings.
5 Would you please identify what the basis is as far as the
6 difficulty in identifying merger savings?

7 A. Well, in my mind, two major difficulties are,
8 number one, that no one can know what a stand-alone
9 operation -- what financial results that stand-alone
10 operation would have done if a merger had not taken place
11 if, in fact, a merger does take place.

12 Also, because the cost -- the expense levels
13 of a utility are influenced by many factors, both non-merger
14 related and merger related after a merger takes place,
15 there's extreme difficulty in making assumptions about what
16 changes and expense levels, for example, really are related
17 to a merger and what are related to other non-merger
18 factors.

19 Q. I think you've also been asked questions
20 relating to the acquisition premium. Is the acquisition
21 premium a known, certain cost?

22 A. No. I believe the actual premium amount -- or
23 the premium amount that's been identified, various
24 witnesses' testimony will need to be updated to reflect the
25 net book value of St. Joe's assets at the time of closing.

1 In addition to that, there was discussion
2 yesterday of the possible impact of a possible future write
3 off of certain deferred costs that might be entertained or
4 that might be brought about by a Commission decision in a
5 pending AAO application, and there was testimony that that
6 would also effect the premium amount.

7 Q. Considering those two factors, the Accounting
8 Authority Order and the time of closing, given those two
9 factors, knowing the resolution of those two factors, is the
10 acquisition premium, the merger premium a known and certain
11 number?

12 A. Not at this time. You will have to wait until
13 closing and after for it to be known with certainty.

14 Q. But after closing and after the determination
15 of the Accounting Authority Order, will the acquisition
16 adjustment merger premium be a known and certain number?

17 A. I believe so.

18 MR. DOTTHEIM: Thank you. I have no further
19 redirect.

20 JUDGE WOODRUFF: Then, Mr. Oligschlaeger, you
21 may step down.

22 I believe the next witness is Mr. Traxler.

23 MR. DOTTHEIM: Yes. Staff would call Steve M.
24 Traxler.

25 (Witness sworn.)

1 JUDGE WOODRUFF: You may inquire.

2 MR. DOTTHEIM: At this time I'd like to
3 provide to the court reporter what has been pre-marked as
4 Exhibit 718, the rebuttal testimony of Steve M. Traxler.

5 (EXHIBIT NO. 718 WAS MARKED FOR
6 IDENTIFICATION.)

7 MR. DOTTHEIM: And on Friday last week,
8 July 7th, the Staff filed with the Commission replacement
9 pages for Mr. Traxler for rebuttal testimony and a pleading
10 requesting leave to file the replacement pages for the
11 rebuttal testimony.

12 JUDGE WOODRUFF: Do you want to offer those as
13 a separate exhibit?

14 MR. DOTTHEIM: I could do that, or is there
15 any desire that they be treated also as the exhibit number
16 for the --

17 JUDGE WOODRUFF: As just a replacement for the
18 previous exhibit?

19 MR. DOTTHEIM: Yes.

20 JUDGE WOODRUFF: Does anybody have an
21 objection to doing that?

22 MR. DOTTHEIM: It's not a complete replacement
23 for Exhibit 718, only the actual replacement pages were
24 printed and provided to the parties that filed with the
25 Commission. The idea being that -- in part, to specifically

1 identify what the changes were and because of the number --
2 JUDGE WOODRUFF: So we don't have to go
3 through a long process at hearing. I think it would be
4 clearer if we went ahead and marked it as a separate
5 exhibit. It will be No. 721.
6 (EXHIBIT NO. 721 WAS MARKED FOR
7 IDENTIFICATION.)
8 MR. DOTTHEIM: And at this time I'd like to
9 provide to the court reporter three copies of what's been
10 marked as Exhibit 721, the replacement pages for the
11 rebuttal testimony of Steve M. Traxler.
12 I would propose not to ask Mr. Traxler to go
13 through all the changes because of the volume, and that was
14 the reason, in particular, for filing and providing to the
15 parties copies of the replacement pages.
16 JUDGE WOODRUFF: Unless anyone has an
17 objection, that would be fine.
18 I hear no objection, so you can proceed with
19 that. And one other matter, you've actually filed a motion
20 to allow you to do that. I can assume since nobody's
21 objecting to that, I'll go ahead and grant that motion.
22 That motion is granted. You may proceed.
23 MR. DOTTHEIM: Thank you.
24 STEVE M. TRAXLER testified as follows:
25 DIRECT EXAMINATION BY MR. DOTTHEIM:

1 Q. Would you please state your full name for the
2 record.

3 A. Steve M. Traxler.

4 Q. And would you please identify your place of
5 employment.

6 A. Missouri Public Service Commission. I work
7 out of the Kansas City office.

8 Q. You're the same Steve M. Traxler that had
9 occasion to be filed with the Commission rebuttal testimony
10 that's now been marked Exhibit 718 with replacement pages
11 marked as Exhibit 721?

12 A. I am.

13 Q. Mr. Traxler, if I asked you the same questions
14 that are contained in your rebuttal testimony as corrected
15 by Exhibit 721, would your answers be the same?

16 A. I have a few minor additional changes.
17 Referring to page 4, line 14 the reference to 165 percent
18 should be changed to 147 percent.

19 Q. That number again is?

20 A. The number that's reflected as 165 should be
21 changed to 147 percent. Page 11, line 10, last word in that
22 sentence, the word "annually" should be eliminated.

23 JUDGE WOODRUFF: What line was that?

24 THE WITNESS: Line 10, page 11. Page 36, line
25 No. 1, the word "led should be changed to "lead." Page 47,

1 line 2, the No. 34 should be changed to -- I'm sorry --
2 the No. 73 should be changed to 34. And on Schedule SMT-8,
3 at the top of the page the Case No. referenced 369, which is
4 the Empire case, should be changed to St. Joe Light & Power
5 292. Those are my only changes.

6 MR. SWEARENGEN: On Schedule 8?

7 THE WITNESS: Schedule -- Schedule 8.

8 MR. SWEARENGEN: Mine says 292.

9 MR. MICHEEL: Mine does too.

10 JUDGE WOODRUFF: So does mine.

11 THE WITNESS: Pardon me?

12 MR. MICHEEL: It says 292.

13 THE WITNESS: It does say 292?

14 MR. MICHEEL: Yes, sir.

15 THE WITNESS: I must have caught that one.

16 MR. CONRAD: Your Honor, maybe I'm going to
17 confuse things further, but the SM-- that's never stopped me
18 before, but SMT-8 that is in Exhibit 721 has the 369 number
19 on it.

20 THE WITNESS: That's the updated schedule and
21 that's the one I'm trying to correct.

22 JUDGE WOODRUFF: You're correcting the
23 corrections.

24 THE WITNESS: That's right.

25 JUDGE WOODRUFF: Thank you for that

1 clarification.

2 BY MR. DOTTHEIM:

3 Q. Mr. Traxler, could you identify the reason or
4 reasons for the corrections that you've made to your
5 testimony?

6 A. You say have I or are you asking me --

7 Q. Could you identify what the reasons are?

8 A. You mean for the updated?

9 Q. Yes. For the updated.

10 A. Yeah. There were four primary reasons.

11 Number one and probably the most important, in response to
12 Data Request 165 the Staff asked UtiliCorp to provide its
13 1999 actuary report in order for the Staff to compare the
14 pension cost and funded status of the plan to St. Joe
15 Light & Power.

16 The information provided in response to that
17 request was subsequently updated by UtiliCorp for financial
18 reporting purposes, and resulted in a significant
19 difference. The Staff was unaware of that change until a
20 meeting which occurred approximately one month after the
21 filing date. The change in the funded status and the change
22 in the pension cost calculation was significant enough it
23 required the need to update my schedules.

24 The second reason, Schedule SMT-2 was also
25 updated to reflect information which was unavailable at the

1 time of our May 2nd filing. That data request provided the
2 estimated annual depreciation expense associated with the
3 corporate general plant cost allocated to St. Joe Light &
4 Power.

5 Schedule SMT-8 was a -- was refiled as a
6 correction. The schedule filed in direct testimony
7 reflected the impact of both St. Joe Light & Power and
8 Empire on the allocation factors -- freezing the allocation
9 factors for the Missouri Public Service division. I updated
10 that schedule to be consistent with the testimony which
11 addresses only the St. Joe Light & Power impact.

12 And, lastly, Schedule SMT-3, the Staff after
13 reading Mr. Siemek's rebuttal testimony, analyzing the
14 historical experience resulting -- the increase in St. Joe
15 Light & Power's cost, excluding pensions because it's being
16 handled elsewhere -- after doing that analysis, we're in
17 agreement that a 2 1/2 percent inflation factor, based on
18 historical numbers excluding pension, is an appropriate
19 growth rate to be used for the St. Joe Light & Power costs
20 transferred to UtiliCorp and the consolidation savings
21 resulting from consolidation of existing functions at the
22 corporate level.

23 We still have a significant issue with the
24 company with regard to the appropriate allocation factor for
25 UCU's corporate allocation growth, and those are the reasons

1 for the changes.

2 Q. Mr. Traxler, again, if I would ask you the
3 same questions that are contained in your rebuttal testimony
4 as you've corrected them with replacement pages and with the
5 other corrections, changes that you've made from the stand
6 this morning, would the information contained in your
7 rebuttal testimony be true and correct, to the best of your
8 knowledge and belief?

9 A. Yes, sir.

10 I left a set of notes over there that you were
11 referring to on those questions. I need that, please.
12 Right there. You've got your hand on it. No, no. The note
13 pad with the handwritten -- thank you.

14 MR. DOTTHEIM: Okay. I tender Mr. Traxler for
15 cross-examination and offer Exhibits 718 and 721.

16 JUDGE WOODRUFF: Did you answer the last
17 question that your attorney asked?

18 THE WITNESS: I answered yes.

19 JUDGE WOODRUFF: Okay. I wanted to be sure of
20 that. And I'm sorry. I was confused. Mr. Dottheim, did
21 you offer those two exhibits into evidence?

22 MR. DOTTHEIM: Yes.

23 JUDGE WOODRUFF: Again, subject to his
24 completing his testimony at that time?

25 MR. DOTTHEIM: Once he completes his

1 testimony, they'll be offered again.

2 JUDGE WOODRUFF: Okay. So we're ready for
3 cross-examination then starting with Natural Resources.

4 MS. WOODS: No questions, thank you.

5 JUDGE WOODRUFF: AGP?

6 MR. CONRAD: Your Honor, this may just be a
7 clarification or something I didn't get when we were going
8 through that, but if I may, let me just ask him.

9 JUDGE WOODRUFF: Go right ahead.

10 CROSS-EXAMINATION BY MR. CONRAD:

11 Q. Mr. Traxler, in going through the changes that
12 you went through in Exhibit 721, did I understand that you
13 got some different numbers from the company? And what was
14 the timing on that, I guess is what I'm trying to get to,
15 that motivated -- I think you were referring to some
16 additional data that had come in after the original --

17 A. We were unaware until approximately one month
18 after our filing date that the information provided by
19 UtiliCorp in response to Data Request 165 was incorrect. It
20 was subsequently updated by the company, booked for
21 financial reporting purposes for the year 1999. That
22 information was not provided or known until approximately
23 one month after our filing date.

24 Q. So did any of the assumptions that you were
25 dealing with change at the same time or was it just the

1 data?

2 A. Well, the information -- SMT-3, which is the
3 Staff's summary of the 10-year analysis adjusted for the
4 corrections and/or assumptions that we're challenging, is
5 impacted by the pension cost issue. And when that changed,
6 the schedule changed and just about every reference to a
7 number in my testimony changed because of that updated
8 information on UCU's 1999 pension costs.

9 Q. Your agreement with -- maybe it would be
10 better phrased your disagreement with the assumptions didn't
11 change?

12 A. No. The --

13 Q. Just the underlying data?

14 A. Let me answer your question this way. Prior
15 to -- the direct testimony reflected a difference in
16 UtiliCorp's calculation of savings from benefits conversion
17 of \$31 million. After the change, that issue was now
18 \$25 million.

19 MR. CONRAD: I'm not sure I'm clear, but I'm
20 not sure I'm going to get any clearer. Thank you.

21 JUDGE WOODRUFF: Thank you. And UE is not
22 here -- I'm sorry, Springfield is not here. And Public
23 Counsel?

24 CROSS-EXAMINATION BY MR. CONRAD:

25 Q. Just to follow-up on the replacement pages,

1 Mr. Traxler, do those corrections that you've described for
2 the record here today, do they in any way change Staff's
3 view about whether or not this merger's detrimental to the
4 public interest?

5 A. The net result of all the changes for years
6 six through ten, the merger is now considered by the Staff
7 to be less economic than it was in our direct filing. The
8 approximate average net merger cost prior to any acquisition
9 premium recovery was approximately 2.3 million per year on
10 the average for years six through ten. That number has now
11 increased to 3.7 million for each year six through ten. So
12 it's less economic, in our opinion.

13 Q. And if I understand these replacement pages,
14 that's because of changes made in the actual OPEB number?

15 A. It's changes made with regard to a comparison
16 between St. Joe Light & Power's funded status of their
17 pension plan and the UCU plan based on 1999 actual results.
18 In addition, we have agreed to change the assumption for
19 escalation, inflation from 1 percent for St. Joe Light &
20 Power costs transferred to UtiliCorp resulting from
21 consolidation of existing functions.

22 In addition, we have agreed with Mr. Siemek
23 that the same percentage used to escalate those costs should
24 also apply to the savings and the transmission,
25 distribution, and general and administrative savings