

1 STATE OF MISSOURI
2 PUBLIC SERVICE COMMISSION
3 TRANSCRIPT OF PROCEEDINGS
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7 Evidentiary hearing
8 April 22, 2008
9 Jefferson City, Missouri
10 Volume 11
11

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

17
18 HAROLD STEARLEY, Presiding,
REGULATORY LAW JUDGE

19 CONNIE MURRAY,
20 ROBERT M. CLAYTON III,
COMMISSIONERS.

21

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1 P R O C E E D I N G S

2 (KCPL EXHIBIT NOS. 15 AND 39 WERE MARKED
3 FOR IDENTIFICATION BY THE REPORTER.)

4 JUDGE STEARLEY: We are back on the record.
5 Today is Tuesday, April 22nd, 2008 and we are resuming our
6 hearing in Case No. EM-2007-0374.

7 A couple of preliminary matters before we
8 get started. First I want to remind you all to please, as
9 we always say, to shut off all your Blackberries, cell
10 phones, electronic devices so we don't have any disruption
11 of our recordings, our web casting.

12 I did want to -- I also want to mention
13 again, I'm not going to be doing entries of appearance
14 every day throughout this hearing. The parties who were
15 here yesterday entered their appearance. There were a
16 couple parties who were not present yesterday. If those
17 parties should appear at any point in these proceedings,
18 they should ask to enter their appearance before we start.

19 As I said yesterday, I realize the parties
20 are here for various issues throughout this case. They
21 may be coming and going at their pleasure. However, if
22 they are not here while a particular witness is
23 testifying, I remind you all that that will constitute a
24 waiver of your examination of that particular witness.

25 With regard to witnesses, my witness list

1 for today, I have Giles, Cheatum, Buran, Crawford, Steinke
2 and Tickles. Does that match the parties'?

3 MR. STEINER: That's right, your Honor.
4 Bill Herdegen is also here today, and he can be subject to
5 cross-examination on synergies if the other parties wish
6 to do that today. They may not wish to, but he is
7 available.

8 JUDGE STEARLEY: All right. Mr. Dottheim?

9 MR. DOTTHEIM: Judge, I think we've got
10 Mr. Herdegen listed for the 28th.

11 MR. STEINER: That's right.

12 MR. DOTTHEIM: And I think he's listed on
13 the 28th because I was specifically told that he was not
14 available until the 28th.

15 MR. STEINER: I'm just letting people know
16 that he's available. We're not saying they have to be
17 taken out of order, but Steve, if it's your preference to
18 wait 'til the 28th, that's fine.

19 JUDGE STEARLEY: Thank you, Mr. Steiner,
20 Mr. Dottheim. We'll see how we progress with the
21 witnesses we do have scheduled today. If the parties
22 aren't ready for cross-examining Mr. Herdegen, we'll wait
23 'til next Monday.

24 We're going to be starting off with witness
25 Giles, and from my understanding on the various issues

1 that are listed for him to be cover, we'll be delving into
2 those matters that were part of KCPL's motion to limit the
3 scope.

4 MR. RIGGINS: My understanding is we won't
5 be going into those matters on his cross-examination
6 today. His cross-examination today will be with regard to
7 the issues on which he prefiled testimony, which are
8 synergy allocations, operations and tracking, affiliate
9 transactions rule waiver variance and the earnings sharing
10 mechanism proposed by the City of Kansas City.

11 If it's necessary to bring him back later
12 in the hearing to testify on other issues, possible issues
13 listed in the statement of issues, then we'll be able to
14 bring him back at the appropriate point in the schedule
15 for that purpose.

16 JUDGE STEARLEY: Thank you for that
17 clarification. I wasn't quite sure where we had left that
18 yesterday. Since we will not be delving into those
19 issues, then, we will not pick up that motion at this
20 point, but we will at a time when it's appropriate for
21 when the party's scheduled to give testimony on those
22 issues.

23 Are there any other preliminary matters we
24 need to address this morning?

25 MR. DOTTHEIM: Yes, Judge. And in regards

1 to that motion, since Mr. Giles would be the only witness
2 who would be coming up who we would actually be taking out
3 of order, but now that he will be coming back if need be,
4 would you be looking for the -- the Staff can submit a
5 written response. Otherwise, the Staff was going -- if
6 there was a need to respond verbally because we were going
7 to have a decision from the Bench as to whether Mr. Giles
8 was going to stand cross or not, I was going to respond on
9 the spot. But since that is apparently not the case, I
10 certainly can submit a response in writing.

11 JUDGE STEARLEY: I don't believe it's
12 necessary, Mr. Dottheim. I believe at some point down the
13 line here we are going to be addressing these issues,
14 whether it's with Mr. Giles or one of the other scheduled
15 witnesses, and I believe we can just take it up at that
16 time orally and save you filing an additional pleading.

17 MR. DOTTHEIM: Thank you.

18 JUDGE STEARLEY: And with that, you may
19 call Mr. Giles to the stand.

20 MR. RIGGINS: Great Plains Energy and
21 Kansas City Power & Light recalls Chris Giles.

22 JUDGE STEARLEY: Mr. Giles, I do remind you
23 that you're under oath. Also, we will be taking breaks
24 throughout the day, give everyone a chance to break,
25 including my court reporter. Since you are up for a

1 number of issues today, if you should require an
2 additional break depending on how long the questioning
3 goes, please let me know.

4 THE WITNESS: Okay.

5 JUDGE STEARLEY: You may proceed.

6 MR. RIGGINS: Thank you, Judge. And
7 Mr. Giles is available for cross-examination on the issues
8 just referenced.

9 JUDGE STEARLEY: Was Mr. Giles' testimony
10 offered back in December and taken in?

11 MR. RIGGINS: No, your Honor. It was
12 marked as an exhibit. It was not offered because of the
13 practice that we established back in December not offering
14 the testimony until all --

15 JUDGE STEARLEY: That is what my
16 recollection was. I wanted to be sure. All right. We
17 will begin with cross-examination. IBEW Locals?

18 MS. WILLIAMS: Nothing at this time.

19 JUDGE STEARLEY: Dogwood Energy? The Joint
20 Municipals? City of Kansas City?

21 MR. COMLEY: No questions. Thank you.

22 JUDGE STEARLEY: City of St. Joseph? City
23 of Lee's Summit? City of Independence? Cass County?

24 MR. COMLEY: Likewise.

25 JUDGE STEARLEY: South Harper residents?

1 Back to you, Mr. Conrad, Ag Processing.

2 MR. CONRAD: Just a few, your Honor.

3 CHRIS GILES testified as follows:

4 CROSS-EXAMINATION BY MR. CONRAD:

5 Q. Good morning, Mr. Giles.

6 A. Good morning.

7 Q. And before I start in on this, Mr. Giles
8 and I do go back a ways, and let me offer my personal best
9 wishes for your upcoming activities.

10 A. Thank you. Appreciate it.

11 Q. Let's start out -- I don't have a lot for
12 you, Mr. Giles, but let's start out with an attachment, I
13 believe it is to the materials that you have filed in
14 February of this year, please, and I am looking at
15 Schedule CBG-1. Let me know when you have that.

16 A. Okay. I've got it.

17 Q. Now, if I understand this chart, I want to
18 focus at least -- I don't know if we'll get beyond the box
19 at the top, but if I am understanding what that is, the
20 first line in that other than the years is labeled gross
21 synergies.

22 MR. CONRAD: Oh, and I should -- by the
23 way, I should make clear, Judge, we will at the
24 appropriate time have the objections that I have indicated
25 before with respect to materials, and I think I had

1 indicated in this case on the second motion in limine, but
2 at the time that Mr. Giles' testimony is, in fact, offered
3 that the record, I do intend to interpose objections on
4 the bases already stated. I've had a stellar record on
5 that thus far, but that doesn't deter me.

6 JUDGE STEARLEY: That's fine, Mr. Conrad.
7 I would expect you to do so.

8 MR. CONRAD: I do want to state, however,
9 that although I will have some questions on some of that
10 material, these questions are without prejudice to that
11 position and with full reservation of rights on that. I
12 just need to get that out before we get started.

13 BY MR. CONRAD:

14 Q. I'm sorry, Mr. Giles. I need to do that.
15 Let me look, please, just for the ease of it at 2008 and
16 the gross synergies. I'm seeing 30, and I think that's
17 30 million; am I right?

18 A. That's right.

19 Q. What is it that that represents?

20 A. That is the estimated synergy total company
21 and total both Aquila and KCPL that we estimate would be
22 achieved in calendar year 2008.

23 Q. Now, would that -- with the exception of
24 the very last few words there limiting it to 2008, would
25 that be true of that line all across?

1 A. Yes.

2 Q. The second line in 2008 is a zero, so let's
3 look at the 2009, and there I see a 15 or 15 million.
4 What is that, sir?

5 A. That represents a half a year or roughly
6 six months of the synergies that would be in rates. So
7 that the way this table works is the \$30 million, assuming
8 it was proved and was achieved, would be placed into the
9 cost of service in our first rate case. The effect of
10 those rates, however, would not be until mid 2009.

11 So in essence, we achieve the savings, but
12 due to the lag in developing the tariffs and having the
13 hearing, the regulatory lag only puts 15 million in the
14 calendar year 2009 that would be reflected on customer
15 bills.

16 Q. Now, you mentioned the gross synergies, and
17 I guess there's -- what I'm seeing, then, based on your
18 explanation, is a relationship between the 30 in 2008 and
19 the 15 in 2009 because of that six-month business; is that
20 correct?

21 A. Yes, that's correct.

22 Q. Now, does that -- that does not, however,
23 seem to follow diagonally across the chart, does it?

24 A. Well, it does. What occurs in, for
25 instance, 2010, you have the full amount of 30 million

1 that's reflected in rates. So in other words, you have
2 the 15 million plus 15 million. So the lag occurs, you
3 actually -- let's say you actually obtained the synergies
4 in 2008. The full amount of those synergies for an annual
5 period would not be reflected in rates until calendar year
6 2010.

7 Q. All right. Now, let's look again, then, at
8 2009 with me, and in the columns -- I'm sorry -- the rows
9 for transition and transaction you've got two sixes in
10 parens. Tell me what those are.

11 A. Those represent again approximately a half
12 a year of transition and transaction amortization amounts,
13 so that if each one were 12 million, or as it shows here
14 12 and 13 million, due to the rate case being implemented
15 midyear 2009, the transition and transaction costs would
16 not actually show up in rates until mid 2009. So those
17 are all consistent.

18 Q. And that would follow across horizontally;
19 am I correct?

20 A. That's correct.

21 Q. Now, let's look at this -- for an example,
22 let's look at 2010, and we've got 30 million of assumed
23 customer retained synergies offsets with 12 and 13, which
24 if I'm figuring right, would be leaving 5, and that's
25 identified as a customer benefit. So is the suggestion

1 there that the five is what would actually be -- rates
2 would not be down by that, would be reduced by that, but
3 rather your contention is that they would be 5 million
4 less than otherwise?

5 A. That's correct.

6 Q. Okay. And then the following row is an
7 accumulation, I take it, across, right?

8 A. Correct.

9 Q. Now, if -- the 2009 number you mentioned
10 was a six-month, and that would presume -- if I do the
11 math right, that would presume rates, some rates would go
12 into effect in June of 2009; am I right?

13 A. That's correct.

14 Q. And when would that need to be filed?

15 A. July 2008.

16 Q. And if it were filed later than that, what
17 would happen?

18 A. Those -- the rate effective date then would
19 be pushed back as well. So it's an 11-month time frame,
20 so if it were filed in August, rates would be effective in
21 July.

22 Q. And so if I understood your earlier
23 testimony, if it were to be pushed back and you didn't
24 have rates until 2009, July or August or something like
25 that, then it wouldn't be -- on this chart, it wouldn't be

1 15, it would be some number less than that?

2 A. That's correct.

3 Q. Now, looking then at 2009, if that number
4 got pushed back such that the customer retained synergies,
5 just again looking at your chart, were -- I guess it would
6 be 12, let's just say that number, and we would have then
7 an offset of the transition and transaction of six, right,
8 each?

9 A. No. Those -- those would vary also.

10 Q. Those would vary?

11 A. Yes. Because what this -- what this column
12 under '09 represents is simply the timing of the rate
13 effective date in that calendar year. So both would move
14 in unison.

15 Q. Okay. Which way would they move?

16 A. Those would move down. So the proportion
17 of synergy savings to the proportion of transition
18 transaction costs would be constant.

19 Q. But we would still -- if I recall how we're
20 working this, we would still be starting with the 30 in
21 2008, would we not?

22 A. Yes.

23 Q. So your statement there, I guess, stands
24 for what it is. So is there a linear relationship that
25 you're seeing between the customer retained synergies of

1 let's say 2009 and the transition and transactions costs?

2 A. Yes. They move together.

3 Q. And your basis for that linear relationship
4 is found where?

5 A. It's found in -- if the rates go into
6 effect in July of 2009, the annualized amount of
7 transition and transaction costs does not change, nor does
8 the annualized amount of synergies. However, the actual
9 rate effective date, as it moves, customers would not see
10 those costs nor those synergies until rates were approved.
11 So they move linearly or together.

12 Q. All right. I think I understand that.
13 Let's see if I am following you. If you were to assume,
14 instead of the assumption that you indicate that you were
15 making here in 2008 here, if you were to assume that
16 instead of 30 million it was 25 million, let's say, then I
17 would see half of that in the 2009 column?

18 A. Correct.

19 Q. Which would be 12 and a half; am I right?

20 A. Correct.

21 Q. And so would the transition and transaction
22 costs also go down in that case?

23 A. No.

24 Q. And in that case, you'd have 12 against
25 12 and a half, so your assumed customer benefit here on

1 that 2009 column would only be half a million, right?

2 A. That's exactly right.

3 Q. And correspondingly, the assumption on the
4 synergies -- well, let's just pick a number. Customer
5 retained synergies, pick a column, 2010 were tracked
6 across, then that would be 25 there, and so that would
7 pretty well take care of that customer benefit, right --

8 A. Yes.

9 Q. -- for that year?

10 I just thought I wanted to understand the
11 chart a little bit. Now, let me ask you also, Mr. Giles,
12 I noticed in, I believe it is in your surrebuttal, and
13 this was package -- forgive me. I don't have the exhibit
14 numbers at my fingertips, but this is the November 13
15 package.

16 A. Okay. I have that.

17 Q. Okay. And on page 1 and a little bit over
18 to page 2, kind of give a little bit of a summary of your
19 curriculum vitae; am I right?

20 A. Yes.

21 Q. I did not see in there, and correct me if
22 I'm missing it, any background in law.

23 A. No. I do not have a background in law.

24 Q. You rub shoulders with them once in a
25 while?

1 A. Quite a bit.

2 Q. And I'm not -- sometimes we used to refer
3 to that as osmosis, but that's from the less dense to the
4 more dense. I'm not sure. I'll leave that thought.

5 But no professional training in law, right?

6 A. That's correct.

7 Q. Never taken a bar exam?

8 A. No.

9 Q. So obviously never passed one?

10 A. Correct.

11 Q. Never failed one either?

12 A. Correct.

13 Q. That's a good thing. Let me ask you, then,
14 to go please to page 3 in that packet, and there in a long
15 answer to a question that begins actually at the bottom of
16 page 2, you're taking issues with Mr. Schallenberg; am I
17 right?

18 A. That's right.

19 Q. And toward -- let's see. It would be at
20 line 18, recurring on to line 18, there's some comment
21 that you've been advised that Schallenberg's argument
22 isn't supported by law?

23 A. That's right.

24 Q. Who advised you?

25 A. Mr. Riggins.

1 Q. So that's not your own --

2 A. No.

3 Q. -- surmise? You're just reporting what
4 you've been told there?

5 A. Right. In fact, this entire answer I am
6 responding to Mr. Schallenberg, who's also not an attorney
7 by the way.

8 Q. Did I ask you a question about Mr. --

9 A. No, you didn't.

10 Q. --- Schallenberg's qualifications?

11 A. No.

12 Q. Why did you offer that?

13 A. Because this testimony is in response to
14 the Staff Report, and much of the testimony of
15 Mr. Schallenberg is similar to my testimony, and that's,
16 in fact, what I'm rebutting.

17 Q. Just to try to make it easier, it might be
18 helpful if you'd wait until I ask the question before you
19 try to answer it --

20 A. Sure.

21 Q. -- Mr. Giles.

22 Now, you go on, I believe, on lines 20, 21,
23 22, to draw your attention there, making a reference to
24 longstanding practices among Missouri utilities. Do you
25 see that? 20, 21, 22 lines, page 3.

1 A. Yes, I do.

2 Q. I'm sorry if I misled you.

3 A. Yes, I see that.

4 Q. And then flipping the page with me over to

5 page 4, there is, I think, there a reference that begins

6 on line 13 and on down. Really, specifically, I think

7 there's reference to it on line 15, Iatan station.

8 A. Yes.

9 Q. And we're referring to Iatan 1?

10 A. Yes.

11 Q. And the reference in lines 15 and 16 to

12 KCPL, Aquila and Empire co-owners of Iatan Unit 1?

13 A. Yes.

14 Q. Now, do you know -- if I'm going back

15 before your time with KCPL, forgive me, but just tell me

16 if you know or don't know. Is there an agreement between

17 KCPL and Aquila right now with respect to the ownership

18 and operation of Iatan Unit 1?

19 A. Yes, there is.

20 Q. Is there an agreement between KCPL and the

21 Empire District with respect to the ownership and

22 operation of Iatan Unit 1?

23 A. Yes. I don't believe those are separate

24 agreements, but there is an agreement that encompasses all

25 of them.

1 Q. And that agreement is in writing, is it
2 not?

3 A. Yes, it is.

4 Q. Do you recall just roughly when that was
5 done?

6 A. Roughly in the late '70s.

7 Q. I think that I've forgotten the number of
8 the case where you put Iatan into KCPL's rate base. The
9 only thing I remember about that is hot regent.

10 A. It was in rate base. Actually, the plant
11 became in service in 1980 but was placed in rate base in
12 '81.

13 Q. And so would those agreements have -- I
14 take it your recollection is that those agreements would
15 have preceded that placing into rate base --

16 A. Yes.

17 Q. -- plant in service?

18 Now, again correct me if I'm wrong in this,
19 but at the time that you mentioned, KCPL was not a
20 subsidiary of Great Plains; is that correct?

21 A. At that time?

22 Q. Yes.

23 A. That's correct.

24 Q. Great Plains didn't exist at that point?

25 A. That's correct.

1 Q. And, of course, Aquila was not probably
2 called Aquila at that point. It was either UtiliCorp or
3 something else, maybe even MoPub. Do you remember?

4 A. I don't recall. It would have been one or
5 the other of those.

6 Q. But it is a completely separate company at
7 that point from Kansas City Power & Light, right?

8 A. Completely separate, yes.

9 Q. Empire District hasn't changed its name,
10 but looking back to that time that that agreement was
11 done, was that -- at that point in time, was Empire
12 District a separate independent company?

13 A. From KCP&L, yes.

14 Q. And also from whatever Aquila's predecessor
15 was?

16 A. Yes.

17 Q. So no connection at all between them?

18 A. That's correct.

19 Q. Bear with me just a second. Now, look
20 at -- if you would move ahead to page 6 in that same
21 packet, sir, and looking at lines 9 through about 13,
22 you're criticizing, as I understand it, a statement by
23 Mr. Schallenberg, and your response is that there is no
24 written agreement?

25 A. Yes, I see that.

1 Q. Okay. I just wanted to -- I just wanted to
2 see if that was the case. Now, let me move you ahead to
3 page 8, and actually, you begin a new section there
4 talking about additional amortizations provision for
5 Aquila. Are you with me?

6 A. Yes.

7 Q. Now, if I understand it, although it may be
8 a matter of some debate, it's your sense that the company
9 has at least sought to withdraw that request and that part
10 of your testimony. Am I understanding that correctly?

11 A. Well, this testimony was prepared --

12 Q. Sure.

13 A. -- at a different time.

14 Q. November of 2007?

15 A. Right. But in -- I believe it's in
16 Mr. Bassham's testimony that we have withdrawn the request
17 for amortization. But yes, I concur with Mr. Bassham and
18 also concur that we have withdrawn that request in this
19 case.

20 Q. And understanding that, would you look with
21 me for just a moment on page 10, and understanding that
22 that's the prior testimony, your testimony at least back
23 in November supported by an affidavit, I'm looking at
24 lines -- well, really begins probably line 1, and read
25 with me there, although the additional amortization

1 provision was one piece of an overall Stipulation &
2 Agreement entered into by the signatory parties and
3 approved by the Commission in 2005 -- I'm going to stop
4 there.

5 The Stipulation & Agreement that you're
6 referring to there is the package that came out of that, I
7 think it was EO-2005-0329. That's the regulatory plan or
8 the CEP, sometimes referred to?

9 A. That's right.

10 Q. And then we -- and the Commission's
11 decision, of course, was an approval of that package.
12 This provision then, continuing to read, stood independent
13 from the other provisions of the stipulation with one
14 exception, and you talk about that exception that went on
15 for ten years. Do you see that?

16 A. I do.

17 Q. Do you happen to have with you a copy of
18 that Stipulation & Agreement?

19 A. I do not.

20 Q. Well, would you -- if one could be
21 available to you, let me ask you if you would accept, just
22 to speed us along here -- well, if counsel has -- great.
23 I don't know if your copy is -- because I put mine
24 together with several other documents, including the
25 Kansas thing, Mr. Giles, but I'm looking at what is on

1 page 52 of my copy, and there I find a paragraph that
2 begins 10, effect of this negotiated settlement. Are we
3 close?

4 A. Yes. I see that.

5 Q. And then I have an A and a B and a C and a
6 D.

7 A. Right.

8 Q. And then I get down to E.

9 A. Right.

10 Q. And if I were to -- well, I'll just read
11 this very first sentence. The provision of this
12 agreement -- provisions of this agreement have resulted
13 from negotiations among the signatory parties and are
14 interdependent. Did I read that correctly?

15 A. Yes, you did.

16 Q. Okay. Thank you.

17 MR. CONRAD: Your Honor, I believe that's
18 all I have for Mr. Giles. Thank you very much.

19 JUDGE STEARLEY: Thank you, Mr. Conrad.
20 Cross-examination from Public Counsel?

21 MR. MILLS: Yes. Judge, I'm sorry. I have
22 to ask a clarifying question about the discussion before
23 we started cross of Mr. Giles. Are we to include
24 affiliate transactions in the cross today or is he coming
25 back for affiliate transactions?

1 JUDGE STEARLEY: My understanding is
2 affiliate transactions are in today's testimony.

3 MR. MILLS: Okay. Thank you.

4 CROSS-EXAMINATION BY MR. MILLS:

5 Q. Mr. Giles, if I can get you to turn to your
6 supplemental -- additional supplemental direct testimony
7 filed on February 5th. On page 5, on I believe -- could
8 you just clarify your testimony there for me? Are you
9 asking for Commission approval in this case of those
10 allocations?

11 A. Yes.

12 Q. So you want the Commission to affirmatively
13 approve those particular allocations?

14 A. Well, those particular allocations as a
15 starting point. The testimony describes how, depending on
16 kilowatt hour sales growth among all the different
17 jurisdictions are allocated to, that those figures would
18 change over time. So we are asking the Commission to
19 approve the methodology and the starting point.

20 Q. That was going to be my next question. You
21 want them to approve these allocations and the method by
22 which you propose to change them over time --

23 A. That's correct.

24 Q. -- in this case?

25 A. Yes.

1 Q. Now, with respect to affiliate
2 transactions, is there anywhere in your testimony where
3 you ask for a waiver of any specific provisions of the
4 affiliate transaction rules?

5 A. Well, I believe it's -- I don't have a
6 particular reference point, but basically it's throughout
7 my testimony that we're asking -- the affiliate
8 transaction rules require the exchange of goods and
9 services to be the higher of market or cost. So
10 obviously --

11 Q. Mr. Giles, I think you're going beyond my
12 question. I asked if you in your testimony had asked for
13 a specific waiver of any specific provisions of the
14 affiliate transaction rule?

15 A. Yes.

16 Q. Which specific provisions do you mention in
17 your testimony?

18 A. Okay. On the bottom of page 3, over to the
19 top seven lines of page 4.

20 Q. Okay. And the waiver you're requesting is
21 for transactions between Aquila and KCPL; is that correct?

22 A. That's correct.

23 Q. Do you seek any kind of a waiver for
24 transactions between Aquila and GPE?

25 A. I don't contemplate there would be

1 transactions of that nature.

2 Q. Do you seek any waiver for transactions
3 between KCPL and GPE?

4 A. No.

5 Q. How about between KCPL and Strategic
6 Energy?

7 A. There are no transactions of that nature.

8 Q. And so you don't seek a waiver?

9 A. No.

10 Q. Does Strategic Energy own any generation
11 assets?

12 A. No.

13 Q. Now, in your additional supplemental direct
14 testimony, specifically on page 3, and actually it starts
15 over on page 2, you talk about operating agreements. Are
16 there any operating agreements between KCPL and Aquila
17 that are now finalized?

18 A. No, not that I'm aware of.

19 Q. When did KCPL and Aquila begin working on
20 operating agreements?

21 A. I don't know that we have.

22 Q. You don't know that this process has
23 started yet?

24 A. Not with KCPL and Aquila, because the
25 Aquila personnel, right now Aquila is not owned by Great

1 Plains Energy. The operating agreements would only be
2 relevant in the case of the merger closing, and then we
3 would do an operating agreement potentially, if the
4 Commission so desired, between Aquila and KCPL. The key
5 is the ownership is common.

6 Q. And so in your question on page 3 at line
7 11 when you say, will any portion of the company's
8 intended operations be reduced to writing, and your answer
9 is yes, your testimony today is that process has not yet
10 started?

11 A. No, I didn't say that. It's not started
12 between KCPL and Aquila. I'm not saying that KCPL
13 employees are not working on that today.

14 Q. So KCPL employees are working on operating
15 agreements that they expect to present to Aquila at some
16 point?

17 A. Well, Aquila as Aquila exists today without
18 ownership of GPE will not exist once the merger closes.
19 So when you say Aquila, I'm trying to make a distinction
20 between Aquila as it is today and Aquila when it's a
21 common owned company of GPE. So that when you say you're
22 going to present that to Aquila, I don't know who would we
23 present that to. Aquila and KCPL will have common
24 leadership.

25 Q. Why don't you tell me what you intend to

1 do, what KCPL intends to do with the operating agreements
2 when they're finalized?

3 A. We would submit those to the Commission and
4 Staff and OPC.

5 Q. And would you present them to Aquila as it
6 exists today or Aquila after it was acquired and merged
7 into the Gregory acquisition sub?

8 A. It would be post merger, yes, post close.

9 Q. So Aquila as it stands today will not have
10 any input into drafting these agreements?

11 A. Not that I'm aware of. Only to the extent
12 some of those employees may be part of the retained
13 employees under GPE. So from that standpoint, they may
14 be, but Aquila as an entity as it exists today will not
15 exist post merger.

16 Q. Now, have you -- well, when did the process
17 of writing these operating agreements begin?

18 A. I don't know.

19 Q. Is it recent or did it begin back when this
20 case was first filed?

21 A. I think it's within the last two or three
22 months.

23 Q. Now, turning back to Strategic Energy, was
24 it your testimony that there are no transactions
25 whatsoever between KCPL and Strategic Energy?

1 A. To the best of my knowledge, there are not.

2 Q. Now, in your position as vice president for
3 regulatory affairs, would it be part of your
4 responsibility to determine what transactions between KCPL
5 and either a parent or a sister corporation are subject to
6 the affiliate transaction rule?

7 A. Not totally. I would be a part of that
8 discussion.

9 Q. As part of that discussion, is it your
10 opinion that if Strategic Energy were to transfer an asset
11 of any kind to KCPL, that it would require Commission
12 approval?

13 A. Yes.

14 Q. And a Commission determination of the value
15 and rate base of that asset?

16 A. Yes.

17 MR. MILLS: I have no further questions.

18 JUDGE STEARLEY: Thank you, Mr. Mills.

19 Cross-examination by Staff?

20 MR. DOTTHEIM: Yes. Thank you.

21 CROSS-EXAMINATION BY MR. DOTTHEIM:

22 Q. Mr. Giles, do you have a copy of the joint
23 applicant -- joint application?

24 A. I do.

25 Q. I'd like to direct you to the joint

1 application, not the attachments, but to the cover
2 document to the wherefore clause or section on pages 20
3 and 21 in particular.

4 A. Okay.

5 Q. And can you direct me to any section where
6 the joint applicants request approval for the allocation
7 methodology or factors which you referred to in your
8 discussion with Mr. Mills regarding your February 28 --

9 A. I don't believe --

10 Q. -- testimony?

11 A. -- that's in here.

12 Q. And, of course, the February 28, 2008
13 testimony was subsequent to the joint application. Is
14 there -- on pages 20 and 21, is there any reference to
15 allocation factors or allocation methodologies in any of
16 those sections?

17 A. I don't believe so.

18 Q. Mr. Giles, is -- or are the joint
19 applicants seeking any ratemaking determinations from the
20 Commission in this proceeding?

21 A. We are not seeking ratemaking treatment.
22 We're seeking a deferral of the transaction and transition
23 costs, and an amortization of five years.

24 Q. Is it your understanding that in the first
25 or your subsequent rate cases after this proceeding, the

1 Commission could deny the deferral that it might grant in
2 this proceeding?

3 A. I think that's a legal question, but I
4 believe you're correct, but I am not a lawyer.

5 Q. Thank you. Staying with your supplemental
6 testimony that was filed on February 28th, I'd like to
7 refer you to page 1, line 9 to page 3, line 18 where you
8 deal with integrating KCPL's and Aquila's operations and
9 the resulting centralized operations.

10 A. Okay.

11 Q. If you would just take a look at that.
12 Have you had a chance --

13 A. Yes.

14 Q. -- to take a look at that?

15 Is there anything in that testimony that is
16 new, that is a changed position of GPE/KCPL since the
17 hearings were suspended on December 6, 2007?

18 A. From a contextual standpoint, nothing has
19 changed.

20 Q. Okay. Still in your supplemental
21 testimony, I'd like to refer you to page 3, lines 4 to 6,
22 your reference to a joint operating agreement. Is there
23 anything in your prior testimony filed before February 25,
24 2008 that makes any reference to a joint operating
25 agreement?

1 A. I don't recall, but I don't -- the purpose
2 of my putting it in here was it was raised in the December
3 hearings, so I was just trying to make it clear to the
4 Commission that this still appeared to be an issue.

5 Q. But the company is not asserting, that is
6 the joint applicants are not asserting that there need to
7 be any operating agreement or operating agreements, are
8 they?

9 A. No. I think the key is that --

10 Q. Mr. Giles, I think you've answered my
11 question. Thank you.

12 A. I take it that means you don't want me to
13 explain.

14 Q. I'm quite sure Mr. Riggins will ask you to
15 explain when he has an opportunity for redirect.

16 I'd like to direct you on page 3 again,
17 line 19.

18 A. Okay.

19 Q. Okay. Going to page 4, line 7.

20 A. Okay.

21 Q. Okay. Is there anything new in that
22 portion of your testimony regarding the request for waiver
23 from the affiliate transaction rule?

24 A. Contextually, it is the same. I think it
25 is a more definitive explanation than we had provided in

1 my prior testimony. As Mr. Conrad had indicated or
2 Mr. Mills, I'm not sure which one, in particular what we
3 were requesting? So I was trying to make it very clear
4 here what it is we were doing as far as a waiver.

5 Q. Okay. Thank you. I'd like to refer you
6 again to the joint application, page 5, paragraph 7.

7 A. Okay.

8 Q. And the last sentence states, does it not,
9 that GPE will acquire Aquila's Missouri electric and steam
10 operations as well as its merchant service operations
11 which primarily consists of the 340 megawatt Crossroads
12 generating facility --

13 A. Yes.

14 Q. -- in Mississippi, does it not?

15 A. Yes.

16 Q. I'd also like to refer you to page 8,
17 paragraph 17, the last sentence, which also makes
18 reference to the 340 megawatt Crossroads generating
19 facility in Mississippi, does it not?

20 A. Yes, it does.

21 Q. The Crossroads 340 megawatt generating
22 facility is not presently in Aquila's rate base, is it?

23 A. No, it is not.

24 MR. DOTTHEIM: Judge, at this time I think
25 I need to go in-camera because I would like to make

1 reference to, I believe it's Exhibit 125, the Standard &
2 Poor's rating evaluation service letter, and also a
3 document of Mr. Cline's, which is I believe it's been
4 marked proprietary.

5 JUDGE STEARLEY: Very well. We will go
6 in-camera.

7 (REPORTER'S NOTE: At this point, an
8 in-camera session was held, which is contained in
9 Volume 12 of the transcript, pages 1472 through 1478.)

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1 JUDGE STEARLEY: You may proceed,
2 Mr. Dottheim.

3 MR. MILLS: Before we do, Judge, I'd like
4 to move that that last section be removed from highly
5 confidential. We did have some discussion while we were
6 in-camera about the fact that the company does consider it
7 be highly confidential.

8 However, some of the stuff that we talked
9 about in the highly confidential portion is a significant
10 bases on which the joint applicants ask the Commission to
11 approve this application, and I think it would be -- it
12 would ill befit the public service to rely upon a
13 significant assumption and a significant factor in
14 approving or disapproving this merger without making those
15 assumptions and those factors.

16 JUDGE STEARLEY: Mr. Riggins?

17 MR. RIGGINS: And, your Honor, I may not
18 disagree at the end of the day with Mr. Mills that some of
19 the things that were discussed in-camera could be
20 reclassified as it were, but I can't agree with his
21 characterization that some of the stuff we talked about
22 wasn't confidential because I don't know what that stuff
23 is.

24 So following the judge's previous
25 instructions, I think it might be more helpful to wait

1 until the transcript is distributed and Mr. Mills can look
2 at it and determine what portions he thinks should be
3 declassified, and I may or may not be able to agree with
4 that.

5 MR. MILLS: I'd be happy to renew the
6 motion at that time.

7 JUDGE STEARLEY: Very well. We'll continue
8 with that. Mr. Dottheim, further questions?

9 MR. DOTTHEIM: Yes.

10 BY MR. DOTTHEIM:

11 Q. I have some questions related to Iatan 2,
12 which really aren't related to the matters that we may get
13 into later. They are more related to really operations
14 and the necessity for agreements.

15 Mr. Giles, you discussed earlier with
16 Mr. Conrad Iatan 1 and the fact that it's jointly owned.
17 Iatan 2 will be jointly owned, will it not?

18 A. Yes, it will.

19 Q. Is there presently a joint ownership
20 agreement for Iatan 2?

21 A. Yes, there is.

22 Q. Is there presently a joint operating
23 agreement for Iatan 2?

24 A. Yes. I'm not sure there's separate
25 agreements, but there are agreements.

1 Q. Mr. Giles, I have some questions for you
2 that are of an accounting nature going to transaction and
3 transition costs that several weeks ago when we did the
4 depositions Mr. Bassham directed me to you, and I'm going
5 to you ask you at this time. We'll see if I get an
6 objection from Mr. Riggins or not.

7 And you're not scheduled to come back again
8 until possibly later in the case, so I can't -- if I get
9 directed to you when Mr. Bassham takes the stand on
10 transaction and transition costs, you won't be here. So
11 I'm going to ask you those questions now and we'll see
12 what happens.

13 A. That's fine.

14 Q. Okay. And I think possibly you've even
15 made some reference earlier this morning in some questions
16 either from Mr. Conrad or even myself about deferrals
17 of -- my first question is, regarding the deferral of both
18 the transaction and transition costs which the joint
19 applicants are requesting that the Commission authorize,
20 is the request that the deferral be on the books of KCPL
21 and Aquila?

22 A. Yes.

23 Q. Is the present request that the Commission
24 authorize that Aquila's and KCPL's Missouri ratepayers be
25 charged one-fifth of those costs beginning with the first

1 rate case after GPE's acquisition of Aquila?

2 A. Yes.

3 Q. Are the joint applicants requesting that
4 the unrecovered balance of the transaction and transition
5 costs be included in rate base as well?

6 A. No.

7 Q. Will the transaction costs be recorded as a
8 component of the acquisition adjustment unless the
9 Commission commits to charge Missouri ratepayers those
10 costs in future rate cases through 2011?

11 A. I don't believe it would be a part of an
12 acquisition adjustment I think that's a Staff
13 definition.

14 Q. Is GPE/KCPL not proposing to recover in
15 rates any portion of an acquisition adjustment?

16 A. We are not going any premium recovery, and
17 to the extent Staff considers transaction costs a part of
18 a premium or acquisition adjustment, we're not taking --
19 we don't agree with that position.

20 Q. Mr. Giles, do you know whether KCPL's
21 currently recovering in rates all compensation paid to its
22 customers -- paid to its officers?

23 A. The allocated portion, yes.

24 Q. If I could have a moment, please.

25 Mr. Giles, the joint applicants are not presently seeking

1 to jointly dispatch the KCPL and Aquila generating
2 facilities, are they?

3 A. No, we are not.

4 Q. Do you know whether there must be a written
5 agreement for there to be joint dispatch of the KCPL and
6 Aquila generating facilities?

7 A. I don't know whether there would be a
8 requirement. The implications of joint dispatch are such
9 that there could be potentially transfer of revenue or
10 value between the two companies, which would impact rates
11 indirectly or directly. So my position would be, in order
12 to joint dispatch there would need to be some sort of an
13 agreement with the Commission, not just between Aquila and
14 KCPL.

15 Q. And when you say that there would need to
16 be some agreement with the Commission, by that do you mean
17 Commission authorization or Commission approval or --

18 A. Yes.

19 Q. -- Commission acceptance?

20 A. Pardon me for interrupting. Yes.
21 Position -- or approval from the Commission. What I would
22 anticipate is at that point, at some point down the --
23 down the way, if we go that route, we would work with the
24 Staff, OPC, to come up with some proposal to present to
25 the Commission. But ultimately the joint dispatch would

1 require Commission approval.

2 MR. DOTTHEIM: If I can have a moment?

3 JUDGE STEARLEY: Certainly, Mr. Dottheim.

4 MR. DOTTHEIM: Thank you for your patience,
5 Mr. Giles.

6 THE WITNESS: Thank you.

7 JUDGE STEARLEY: Does that conclude your
8 questioning, Mr. Dottheim?

9 MR. DOTTHEIM: Yes.

10 JUDGE STEARLEY: Questions from the Bench,
11 Commissioner Murray?

12 COMMISSIONER MURRAY: Thank you.

13 QUESTIONS BY COMMISSIONER MURRAY:

14 Q. Good morning, Mr. Giles.

15 A. Good morning.

16 Q. I don't have a lot of questions for you.

17 In the Kansas case there was a settlement agreement; is
18 that correct?

19 A. That's correct.

20 Q. And did the -- that occurred in late
21 February, I believe, February 28th, 27th I guess. Anyway,
22 has the Commission issued an Order approving that
23 agreement?

24 A. The Commission approved the agreement from
25 the bench and indicated at that time an Order would be

1 forthcoming. I don't believe they've actually written a
2 written order. They did approve from the bench, however.

3 Q. I couldn't find the written Order. In that
4 settlement agreement, there was an inclusion of
5 \$10 million in transition costs; is that correct?

6 A. That's correct.

7 Q. But there were no transaction costs
8 allowed; is that right also?

9 A. That's correct.

10 Q. Do you know of any jurisdiction that allows
11 the recovery of transaction costs?

12 A. There are jurisdictions that allow it. In
13 most -- not in most, but in some cases they are split
14 50/50 between the customer and the shareholder.

15 I should also mention that one of the
16 reasons we agreed in Kansas not to include the transaction
17 costs, a unique provision of that agreement was that we
18 would be able to retain the synergies until the 2010 rate
19 case. So in our next rate case in Kansas, they will be
20 treating KCPL as a standalone company even though we will
21 have been merged and generating synergies, and that was --
22 that helped us to overcome the loss of those transaction
23 costs.

24 Q. All right. And there was no application
25 here made for a merger or consolidation of KCP&L and

1 Aquila; is that correct?

2 A. That's correct. We did indicate in the
3 last request in our application that the Commission should
4 grant any and all relief necessary to consummate the
5 benefits of the merger. So indirectly we did, but we have
6 not specifically asked for that approval.

7 Q. And if the Commission found it necessary to
8 include a consolidation or a merger of KCPL and Aquila,
9 are you saying that you would want that reflected in the
10 Order?

11 A. No. The -- what we would like reflected in
12 the Order is an acquisition or a merger of Aquila into
13 Gregory Corporation, which then would be Aquila as a
14 separate subsidiary of Great Plains Energy. What we would
15 like included in the Order is the ability to operate
16 non-generation, operate the two utilities in an integrated
17 fashion.

18 In other words, the way we plan to operate,
19 and this is where it gets a little confusing when we talk
20 about operating agreements, is Bill Downey will be
21 president and CEO of both companies, and to the extent we
22 can use KCPL as essentially a service company to Aquila
23 and track those costs, track all the interplay between the
24 two, that's where we can generate the synergies.

25 So what we would like the Commission to do

1 is authorize us to operate on an integrated basis, except
2 for any generation production and any -- we're not selling
3 or transferring assets, simply services.

4 Q. Were there any -- there were some reasons
5 that were stated for not requesting a consolidation or a
6 merger of KCPL and Aquila, and are there any other
7 reasons, any tax consequences, anything?

8 A. There were four primary reasons. One, and
9 I think this has been mentioned in prior testimony, is the
10 outstanding liabilities, potential liabilities of Aquila.
11 That was one reason. Another one was the status of the
12 RTO, which the Commission has just heard, but at this
13 point Aquila is a participating member of MISO. KCPL is
14 SPP.

15 A third reason was the market power issues.
16 We did not believe we had market power issues if we were
17 to consolidate the two companies, but to be on the safe
18 side and get a rapid FERC approval, we thought it would be
19 better to not.

20 And the fourth reason is purely from an
21 administrative standpoint. We would have had to transfer
22 all the franchises and all the contracts and the
23 financings, potentially getting consent agreements on a
24 number of financings. So from a time standpoint we didn't
25 feel like it was a needed thing to do.

1 Q. You mentioned from a time standpoint. I
2 wanted to ask you about the -- well, in the joint
3 application there was a time frame and could be extended
4 up to 18 months. Where are we in the final time frame on
5 this today?

6 A. The expiration date, I believe, is August 6
7 of 2008. So if all regulatory approvals and close of the
8 merger hasn't occurred prior to August 6th, the
9 agreement's no longer valid.

10 Q. It does not take any additional action on
11 the part of the joint applicants, like an express
12 withdrawal or anything like that?

13 A. No.

14 Q. It's just no longer valid?

15 A. Correct. And the last time it was
16 extended, I believe it was extended until May. If we
17 haven't extended it yet, we will be extending it up to the
18 full August time frame.

19 COMMISSIONER MURRAY: I may find another
20 question or two after Commissioner Clayton, but --

21 COMMISSIONER CLAYTON: No, you won't.

22 COMMISSIONER MURRAY: You don't have any
23 questions?

24 COMMISSIONER CLAYTON: I don't have any
25 questions. I'm going to cut him loose.

1 COMMISSIONER MURRAY: Well, give me a
2 minute. I thought I had one more question. I'm just
3 having trouble locating it. I think that's all. Thank
4 you.

5 THE WITNESS: Thank you.

6 JUDGE STEARLEY: All right. Recross based
7 on questions from the Bench. We're going to jump down my
8 list to Ag Processing.

9 MR. CONRAD: Appreciate that. Let me try
10 and find my sheet again.

11 RECROSS-EXAMINATION BY MR. CONRAD:

12 Q. Mr. Giles, this is prompted by Commissioner
13 Murray's question about jurisdictions that allow recovery
14 of transaction costs. Do you recall that?

15 A. Yes, I do.

16 Q. And were you here yesterday when
17 Mr. Bassham was on the stand?

18 A. I didn't hear you.

19 Q. I'm sorry. Were you here yesterday when
20 Mr. Bassham was on the stand?

21 A. Yes, I was.

22 Q. And do you recall his testimony about, I
23 think in response to a question from Commissioner Clayton,
24 how much KCPL/Great Plains would be out if the Commission
25 were to reject this transaction?

1 A. Yes.

2 Q. And you recall him indicating that the
3 \$20 million, I believe that was a rough number, would be
4 the responsibility of Great Plains, not of KCPL?

5 A. Yes.

6 Q. So no disagreement there?

7 A. No.

8 Q. Okay. Now, Commissioner asked you --
9 Commissioner Murray asked you about any jurisdiction that
10 allowed the recovery of transaction costs.

11 A. Yes.

12 Q. If I look again at that thing that we
13 started with, that CDG-1.

14 A. Yes.

15 Q. And you may or may not need to refer to it,
16 but the rows on transition and transaction costs.

17 A. Yes.

18 Q. You'd agree with me, I take it, that both
19 of those, including specifically the one specifically for
20 transaction costs, would be absorbed out of what has been
21 characterized as customer retained synergies?

22 A. Yes.

23 Q. So that means, based on that testimony as
24 well as that of Mr. Bassham, that the customers of
25 KCPL/Aquila would be paying or absorbing some portion of

1 the transaction costs, right?

2 A. To the extent synergy supported, yes.

3 Q. But to that extent, the transaction costs
4 that were -- would be absorbing are costs that are
5 incurred by Great Plains, right?

6 A. Yes. At this point all of these costs --

7 Q. That's fine. Now, going back to
8 Commissioner Murray's question, are you aware of any
9 jurisdiction that allows the recovery of transaction costs
10 where those transaction costs have been incurred by a
11 non-regulated company?

12 A. I don't know.

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

14 JUDGE STEARLEY: Cross-examination, Public
15 Counsel?

16 MR. MILLS: Just a few.

17 RECROSS-EXAMINATION BY MR. MILLS:

18 Q. Mr. Giles, do you still have the joint
19 application in front of you?

20 A. I do.

21 Q. Can you turn to page 21 and subparagraph K?

22 A. Okay.

23 Q. Is that the section you were referring to
24 when you mentioned it to Commissioner Murray?

25 A. Yes, it was.

1 Q. Can you tell me whether the word benefit or
2 benefits appear in that paragraph?

3 A. It doesn't.

4 Q. Now, with respect to some of the questions
5 that Commissioner Murray asked you about the operations,
6 you mentioned Bill Downey working for both companies.
7 Let's take that down a few notches. Will there be KCPL
8 linemen and Aquila linemen post merger?

9 A. Well, I'm not sure what you mean.

10 Q. Will there be employees at KCPL that are
11 employed as linemen?

12 A. Yes.

13 Q. Will there be other employees that are
14 employed by Aquila also as linemen?

15 A. No.

16 Q. So Aquila will not have any linemen?

17 A. No.

18 Q. Will Aquila have any employees?

19 A. No.

20 Q. So post merger there will be no employees
21 at Aquila?

22 A. There will be -- all employees will be KCPL
23 employees. They may function totally for what was the
24 former Aquila properties. For instance, the generating
25 plants, those employees will be 100 percent totally

1 dedicated to what was prior Aquila generating operations.
2 Their paycheck may come from KCP&L, and their benefits
3 from KCPL, but from a practical operating standpoint, they
4 would be doing the same job they've always done.

5 Q. Now, when you say their paycheck and their
6 benefits may come from KCPL, will they come from KCPL?

7 A. Yes.

8 Q. Now, post merger will there be separate --
9 will there be distribution system assets that are owned by
10 Aquila and different distribution system assets that are
11 owned by KCPL?

12 A. Yes.

13 Q. How will a lineman that works on the Aquila
14 distribution system charge his time?

15 A. To Aquila distribution. Now, it may not be
16 called Aquila, but it will in effect still be the Aquila
17 distribution system, and Aquila rates would include those
18 costs.

19 Q. What would it be called?

20 A. It will be called probably, and we haven't
21 firmed this up, some offshoot of a KCPL name.

22 Q. KCPL East or something to that effect?

23 A. Something to that effect.

24 Q. And so if your view of this joint operation
25 goes forward, in future Aquila rate cases will Aquila

1 ratepayers be charged a portion of KCPL employees' time
2 that the KCPL employees have spent working on KCPL's
3 system?

4 A. No. If -- remember, all employees are KCPL
5 employees. So to the extent an employee is working on the
6 Aquila system, it gets charged to Aquila. If it's an
7 employee working on a KCPL system, it gets charged to
8 KCPL.

9 Q. But the time that the KCPL employee has
10 spent on the Aquila system, will that get charged to KCPL
11 ratepayers or Aquila ratepayers --

12 A. Aquila.

13 Q. -- ultimately?

14 Now, as you go forward in time, will -- for
15 example, distribution system upgrades, will those be
16 planned jointly for the two systems or separately?

17 A. Separate.

18 Q. So there will be no attempt to determine
19 whether a particular upgrade could be done in a more cost
20 effective manner to benefit both systems? There will be
21 two separate sets of planners, two separate sets of
22 implementation?

23 A. In a situation where it's a border type
24 issue, we would -- we would look at that, just as we do
25 today, only today it's a border customer type situation.

1 But yes, we would -- we would evaluate that.

2 Q. And how will the cost of upgrades there
3 that benefit both systems be determined and allocated?

4 A. Well, it will be based on load, to the
5 extent we do it. I don't know that we would do it, but
6 there are ways to do it.

7 Q. At this point, are the distribution systems
8 of Aquila and KCPL interconnected?

9 A. I don't know about the distribution
10 systems. We do have some border customers that we share,
11 so that extent they are, but I don't know more
12 definitively.

13 Q. If you would, picture in your mind the map
14 of the two service territories. There's a fairly lengthy
15 border between the two, is there not?

16 A. There is.

17 Q. And I realize this is not your field of
18 expertise, but wouldn't you anticipate that if the -- if
19 the systems were integrated, that there would be
20 opportunities as development increases and as distribution
21 systems are changed for economies of scale and economies
22 of scope and efficiencies by integrating those systems?

23 A. I think Mr. Herdegen will testify that that
24 could be the case. The key there is to make sure we
25 allocate the costs properly, reflect the assets on the

1 books properly.

2 Q. And let's just briefly go back to the name
3 change. You've asked for authority in your joint
4 application to change the name. Is that something that
5 you -- are you just asking for blanket authority to change
6 it to anything, or are you going to ask the Commission for
7 specific authority to change it to something specific?

8 A. Something specific.

9 Q. But that's not contained in your
10 application at this point?

11 A. No.

12 MR. MILLS: I have no further questions.

13 JUDGE STEARLEY: Thank you, Mr. Mills.

14 Recross by Staff?

15 MR. DOTTHEIM: No questions.

16 JUDGE STEARLEY: Any additional questions
17 from the Bench?

18 COMMISSIONER MURRAY: One second. No,
19 thank you.

20 JUDGE STEARLEY: Commissioner Clayton?
21 Redirect, Mr. Riggins?

22 MR. RIGGINS: Just one question, your
23 Honor. Since Mr. Dottheim gave me the opportunity, I feel
24 like I should take advantage of it.

25 REDIRECT EXAMINATION BY MR. RIGGINS:

1 Q. Mr. Giles, in response to a question from
2 Mr. Dottheim, I think you agreed with him or you made the
3 statement that -- pardon me. You didn't agree with him,
4 but you made the statement that we don't need an operating
5 agreement. Could you explain why in your view we don't
6 need an operating agreement?

7 A. Yes. Both Aquila and KCPL will, in
8 whatever ultimately Aquila's name is changed to, will be
9 owned 100 by GPE, Great Plains Energy, and Aquila will no
10 longer exist as Aquila. The key to integrating the
11 operations of these two companies is to make sure we track
12 the costs, make sure we allocate the costs properly on the
13 accounting and for regulatory purposes because we will
14 continue to maintain separate rate schedules, separate
15 assets, separate books.

16 So the key is the cost allocation system,
17 and we will have a cost allocation manual that will set
18 all of that detail out as to how we operate the two
19 companies and maintain this separate distinction for both
20 accounting and financial reporting and for regulatory
21 purposes.

22 You don't need an operating agreement to do
23 that because Bill Downey, as I said, will be president and
24 CEO of both of these companies, and I find it hard to
25 picture Bill Downey signing an operating agreement with

1 Bill Downey.

2 Q. Does KCPL currently have a cost allocation
3 manual that it utilizes to allocate costs to different
4 entities?

5 A. Yes, we do.

6 MR. RIGGINS: That's all I have. Thank
7 you.

8 JUDGE STEARLEY: All right. Thank you. At
9 this time, Mr. Giles, you may step down.

10 THE WITNESS: Thank you.

11 JUDGE STEARLEY: You will not be finally
12 released, and we will determine at a later time in the
13 proceeding if we would need to bring you back.

14 MR. RIGGINS: Your Honor, at this point,
15 since I believe this completes Mr. Giles' testimony on his
16 prefiled testimony, I would move the admission of
17 Exhibit 15, which is in both the highly confidential and a
18 nonproprietary version, and Exhibit 39.

19 JUDGE STEARLEY: Any objections to
20 Exhibit 15? One at a time here. Your objection,
21 Mr. Conrad.

22 MR. CONRAD: I'm looking actually here to
23 see whether -- I take it that Exhibit 15 is the November
24 surrebuttal; am I correct?

25 MR. RIGGINS: That's correct.

1 MR. CONRAD: Okay. Objection there to the
2 HC would be page 3, line 9 through page 7, line 3. And
3 then I believe the other exhibit, if you're ready for
4 that, page 31 --

5 JUDGE STEARLEY: Let just take 15 here
6 first. And what's your objection in this particular one?

7 MR. CONRAD: The basis for the objection
8 there is the same as was stated in our -- in limine, and
9 that is it expands the scope of this proceeding beyond
10 that which has been applied for.

11 Even in questions from the Bench this
12 morning it's been made clear that the company has not
13 applied for authority to integrate by whatever order, the
14 statute says direct or indirect, the operations of two
15 operating utilities, whether they're characterized as
16 service or whatever. And that's been made amply clear by
17 this morning's examination, cross-examination, and that's
18 the basis of it.

19 As I said before, it's my understanding
20 that expansion of a proceeding by trial on issues can
21 occur and -- but does not occur if that's over objection.
22 So it is -- not only is it irrelevant, but it is
23 immaterial in that it is not an issue that's placed before
24 this Commission at this time and may never be.

25 JUDGE STEARLEY: And similarly, Mr. Conrad,

1 the objection is overruled, the Commission finding the
2 evidence to be both relevant and essential for a public
3 interest determination.

4 Moving on to Exhibit 39, I believe.

5 MR. CONRAD: 39. Thank you. The
6 objections there, and to try to shorten this up, make this
7 on the same basis, the objections there directed to the
8 materials identified on page 5 of the second motion in
9 limine. Again, if you want me to read them, I will be
10 happy to do so, but if you wanted to simply make note of
11 those for the record, that would save time.

12 JUDGE STEARLEY: Certainly.

13 MR. CONRAD: And the basis for that is the
14 same.

15 JUDGE STEARLEY: And again will be
16 overruled. Any other objections to Exhibits 15 or 39?

17 (No response.)

18 JUDGE STEARLEY: Hearing none, they shall
19 be admitted and received into the record.

20 (KCPL EXHIBIT NOS. 15 AND 39 WERE WAS
21 RECEIVED INTO EVIDENCE.)

22 JUDGE STEARLEY: And at this time we've
23 been going not quite two hours, but we will take a break
24 before starting our next witness. Let's break for about
25 ten minutes.

1 (A BREAK WAS TAKEN.)

2 (KCPL EXHIBIT NO. 7 WAS MARKED FOR
3 IDENTIFICATION.)

4 JUDGE STEARLEY: We are back on the record,
5 and KCPL, you may call your next witness.

6 MR. FISCHER: Yes. We would call Lora
7 Cheatum to the witness stand.

8 (Witness sworn.)

9 JUDGE STEARLEY: You may proceed.

10 MR. FISCHER: Thank you.

11 LORA CHEATUM testified as follows:

12 DIRECT EXAMINATION BY MR. FISCHER:

13 Q. Ms. Cheatum, did you cause to be filed in
14 this proceeding certain supplemental direct testimony in
15 August of 2007 which has been premarked as Exhibit No. 7?

16 A. Yes.

17 Q. Do you have any changes you need to make to
18 that exhibit?

19 A. No, I do not.

20 MR. FISCHER: Your Honor, I would tender
21 the witness for cross-examination.

22 JUDGE STEARLEY: In the interest of saving
23 time, are there any other parties present besides Ag
24 Processing, Public Counsel and Staff that have any
25 cross-examination questions for this witness?

1 (No response.)

2 JUDGE STEARLEY: Hearing none, we'll move
3 down the list, and cross-examination by Ag Processing?

4 MR. CONRAD: And I do not have questions
5 for Ms. Cheatum.

6 JUDGE STEARLEY: Thank you.

7 MR. MILLS: Nor do I.

8 JUDGE STEARLEY: Mr. Mills. Staff?

9 MS. KLIETHERMES: I do have a couple.

10 CROSS-EXAMINATION BY MS. KLIETHERMES:

11 Q. Ms. Cheatum, by whom are you employed
12 presently?

13 A. Kansas City Power & Light.

14 Q. Are you an employee of Great Plains Energy?

15 A. Great Plains Energy is the holding company
16 of Kansas City Power & Light.

17 Q. What is your role at Kansas City Power &
18 Light?

19 A. My current title is Vice President of
20 Administrative Services, but I'm currently overseeing
21 purchasing and facilities and merger integration
22 activities for supply chain.

23 Q. Are you responsible for Kansas City Power &
24 Light's procurement department?

25 A. Yes, I am.

1 Q. Do you currently have the authority, or do
2 those in your department, to make purchases on behalf of
3 Aquila?

4 A. No, we do not.

5 Q. To your knowledge, upon consummation of the
6 merger, will you have the authority, or will those in your
7 department, to make purchases on behalf of Aquila?

8 A. Once the merger is finalized, there will no
9 longer be an Aquila. It will be Kansas City Power &
10 Light, and therefore, my purchasing department will have
11 the ability to purchase things for Kansas City Power &
12 Light.

13 Q. Did you identify an amount in your
14 testimony as the supply chain synergy savings?

15 A. I did.

16 Q. And what is that amount?

17 A. It's approximately \$131 million.

18 Q. With respect to that amount, do you expect
19 some portion of that to be derived from a larger
20 KCPL/Aquila combined entity leveraging better prices?

21 A. Yes, we do.

22 Q. What amount? What is that amount that you
23 would attribute to that?

24 A. I believe in my testimony we have assumed
25 about 78 -- 78 million just in terms of best practice

1 spend management.

2 Q. Which single vendor will produce the
3 greatest savings in terms of those leveraged savings?

4 A. As we looked at the leveraging savings, we
5 started with addressable spend. So again, we have -- we
6 have almost 4,000 vendors in our database, so --

7 Q. So are you aware of a specific vendor from
8 whom you will leverage the single most -- single greatest
9 amount of savings?

10 A. We haven't identified a single vendor at
11 this point.

12 Q. Are you aware of any vendors who would be
13 in the upper margin in terms of from whom you will achieve
14 the greatest savings?

15 A. When we did our original analysis, we -- in
16 both transmission and delivery and generation, we looked
17 at category spend, not vendor spend.

18 Q. So which categories will produce the
19 highest end of those leverage savings?

20 A. Well, when we looked at transmission and
21 delivery, we looked at line clearance, line construction,
22 vegetation management. Generation, we looked at
23 engineering services, plant maintenance. So there was
24 category spend.

25 Q. So which of those categories would you

1 attribute the greatest savings due to the increased entity
2 size, being able to leverage better pricing?

3 A. Again, I think in T and D, those five
4 would -- those five categories would be the greatest
5 spend.

6 Q. To your knowledge, has KCPL considered
7 entering any type -- entering into any type of consortium
8 to try to leverage better prices from those categories?

9 A. I'm sorry. Do we currently or are we?

10 Q. Have you considered doing that?

11 A. We have considered looking at vendor
12 managed inventory, but not at this point are we looking at
13 consortium.

14 Q. To your knowledge, have you considered
15 looking at entering into any type of consortium to
16 leverage better prices from any single vendor?

17 A. We have not.

18 Q. Are you aware of any specific risks to the
19 realization of the projected \$130.9 million worth of
20 estimated supply chain synergy savings?

21 A. When we did our analysis, obviously there's
22 risk any time you do something in the global market. The
23 national markets are all changing in terms of commodities
24 certainly bringing two organizations together, and I think
25 we've adequately identified those risks and have accounted

1 for those.

2 Q. Do you know if any attempt has been made to
3 quantify those risks?

4 A. No, we did not.

5 Q. Would a risk to the realization of the
6 projected \$130.9 million supply chain synergy savings
7 include volatility within the utility industry?

8 A. We did not specifically look at utility
9 volatility.

10 Q. Are you familiar with the term supply and
11 demand?

12 A. I am.

13 Q. Could you very briefly explain what that
14 refers to?

15 A. Sure. I guess in the most basic sense, in
16 a global economy there are certain goods and services that
17 vendors would supply to a company, and there's a certain
18 demand a company has on those supplies or commodities.

19 Q. Are you aware at least on some level of
20 current trends in the utility industry in terms of whether
21 today as opposed to 20, 30 years ago, what the level of
22 new plant construction, whether that's higher today or
23 lower today than it would have been?

24 A. I would not be the expert in that, no.

25 Q. Are you aware at least on some level of

1 current trends in the commodities markets?

2 A. I do have knowledge of certain commodities.

3 Q. In terms of price, what's been happening to
4 copper?

5 A. Well, copper from 2006 to '07, pardon me,
6 effectively stayed flat. I believe it was in about the \$3
7 range.

8 Q. And over the past 20, 30 years, has copper
9 stayed relatively flat?

10 A. There's been an escalation in the price of
11 copper.

12 Q. Does copper constitute a significant
13 portion of KCPL's current supply chain budget?

14 A. I don't know the exact number of that, for
15 that.

16 Q. Would commodities in general constitute a
17 significant portion of that budget?

18 A. Of? I'm sorry. Would you repeat the
19 question?

20 Q. In terms of KCPL's current supply chain
21 budget, would basically a lot or a little of those prices
22 be driven by the changes in the commodity market?

23 A. Well, certainly any change in pricing
24 drives our cost to deliver service.

25 Q. Do you think that supply constraints could

1 limit the ability of the utility of any size to leverage
2 favorable pricing from a vendor?

3 A. Supply constraints in a changing market
4 certainly is something that we're very concerned with,
5 especially at a utility of our current size.

6 Q. When you say your current size, do you mean
7 that a larger utility would not be affected by supply
8 constraints?

9 A. We believe by the -- by our ability to use
10 scale, that it would lessen the impact, yes.

11 Q. But would that risk still be there?

12 A. There would probably still be some risk.

13 Q. If considerations such as supply
14 constraints limit a combined KCPL and Aquila from
15 leveraging favorable pricing, what percentage of the
16 projected 130.9 million supply chain synergy savings would
17 be affected or could be affected rather?

18 A. Repeat that question.

19 Q. If supply -- if factors such as supply
20 constraints limit a combined KCPL/Aquila from leveraging
21 favorable pricing, what percentage of the 130.9 million
22 supply chain synergy savings could be affected?

23 A. When we did our analysis, we assumed that
24 there would be cost increases. We assumed inflation of
25 3.1 percent. So there was that rigor in our analysis.

1 Q. Can you point to a given percentage or
2 portion of the projected synergy savings that is
3 susceptible to market risk such as supply constraints?

4 A. No. We used an overall inflation rating
5 for the five years of 3.1 percent per year.

6 Q. The projected supply chain synergy savings
7 are based off of a 2006 historic data, correct?

8 A. That is essentially correct, yes.

9 Q. When you say essentially, please explain.

10 A. Well, we use 2006 sourceable spend numbers.

11 Q. Okay. Do you know whether any analysis or
12 update has been performed to update that data with regard
13 to known changes or trends in the labor or commodity
14 markets?

15 A. If I could repeat that. Did we update the
16 2006 baseline, is that the question?

17 Q. Did you perform any adjustments to the 2006
18 baseline to account for known changes or existing trends?

19 A. The only projections we have made relative
20 to the 2006 baseline was, I believe, as I have stated, the
21 inflation factor of 3.1 percent.

22 Q. Are the bulk of the 130.9 million in supply
23 chain synergy savings achieved day one year one or at some
24 later time within that five-year study period?

25 A. The 131 million is a five-year number.

1 Q. So is it five equal increments of given
2 dollar value or is there some breakdown? You know, does
3 the first year have the same amount of synergy savings as
4 the fifth year?

5 A. No. The first year is probably the lowest
6 year, and then it gradually escalates into the -- into
7 2012, I believe.

8 Q. So would the fifth year then be the highest
9 year?

10 A. That would be correct.

11 Q. And the four the next highest?

12 A. Yes. Probably close.

13 Q. And I believe you've indicated that the
14 number 130.9 reflects an escalation for CPI; is that
15 correct?

16 A. That is correct.

17 Q. Do you know what portion of that 139 is
18 reflective of the projected CPI increases?

19 A. I'm not sure I understand your question.
20 Do you want to do that again?

21 Q. Well, I'm trying to see if I understand
22 your process.

23 A. Okay.

24 Q. Now, that fifth year number that you
25 indicated is the highest, would that -- if you brought it

1 back to today's present value, would that have five years
2 worth of CPI increases built into it?

3 A. That would be correct, yes.

4 Q. Is there a cost to achieve associated with
5 any of the projected supply chain synergy savings?

6 A. Yes. We have estimated a cost to achieve
7 number.

8 Q. What is the dollar value of those costs to
9 achieve?

10 A. I believe in the first year we had
11 approximately 2.3 million in cost to achieve.

12 Q. And what's that number throughout the five-
13 year study period? Does that --

14 A. It ramps down. I think it was 2.3. I
15 would have be corrected, but it ramps down to probably
16 about half a million in the last year or year three.

17 Q. If projected synergy savings are not
18 realized, what happens to those costs to achieve?

19 A. If I understand your question, in order to
20 achieve the synergy savings, obviously there's a cost to
21 achieve in people, process or technology, and part of
22 our -- part of what we will be doing is to invest in the
23 process or change or the technology to achieve those
24 synergy savings of 130.9.

25 Q. So if I understood your answer, your costs

1 to achieve are reflective of investments in people,
2 process and technology. Do those investments get refunded
3 if the synergies are not realized?

4 A. That's probably not a question that I could
5 answer. That might be a regulatory or an accounting
6 question.

7 Q. Do you know whether those costs to achieve
8 have been escalated for inflation?

9 A. No, we did not.

10 Q. Do you know whether the prices of those
11 costs to achieve have been escalated for trends in the
12 market or in the industry?

13 A. No, we did not adjust those.

14 Q. Does some level of the projected supply
15 chain synergy savings reflect savings achieved by a
16 reduction in certain inventory levels?

17 A. A piece of the analysis was done relative
18 to scalability of inventory across the operational
19 geography.

20 Q. I'm sorry. I don't believe I understood
21 your answer. If you could give another shot at that.

22 A. Maybe if you give me the question again.

23 Q. Does some level of the projected supply
24 chain synergy savings reflect savings achieved by a
25 reduction in inventory levels, in some inventory levels?

1 A. Right. When we operationally work as one,
2 we won't need the same level of inventory. So yes, we're
3 assuming there will be some redundancy in inventory and,
4 therefore, a reduction in that inventory.

5 Q. So would some of those savings then come
6 from just not having money tied up in inventory?

7 A. Yes. Part of our analysis assumes less
8 capital cost for inventory and the associated carrying
9 costs of that capital.

10 Q. Are you aware of what interest rate was
11 used to calculate what it costs to have money tied up in
12 goods sitting in inventory?

13 A. I believe we used -- the number that was
14 given to us was 22 percent was the carrying costs of
15 inventory.

16 Q. Do you know whether that 130.9 million in
17 projected supply chain synergy savings was updated to
18 reflect the joint applicants' revised proposal?

19 A. I'm not aware of that.

20 Q. Do you know whether the joint applicants'
21 revised proposal seeks recovery of Aquila's actual cost of
22 debt?

23 A. There are people here that are better able
24 to answer that than I.

25 Q. So then you wouldn't know whether the

1 interest rate used to calculate what it costs to have
2 money tied up in inventory reflects Aquila's actual cost
3 of debt?

4 A. I believe we used Kansas City Power &
5 Light's actual costs.

6 Q. Did you personally prepare any of the
7 analysis to arrive at the 22 percent carrying cost figure?

8 A. No, I did not.

9 Q. Did you personally oversee any of the
10 analysis used to arrive at the 22 percent carrying cost
11 figure?

12 A. No, I did not.

13 Q. Do you know whether KCPL's vehicle fleet
14 currently consists largely of vehicles with
15 interchangeable parts, and by that I mean whether the
16 fleet consists of multiple vehicles of similar models, not
17 whether they're mass produced a la Henry Ford?

18 A. I'm sorry. Did you ask if KCPL?

19 Q. Yes.

20 A. Yeah, I don't know.

21 Q. Do you know whether Aquila's fleet consists
22 largely of vehicles with interchangeable parts?

23 A. I don't know.

24 Q. Do you know which fleet management
25 technique is cheaper in terms of management?

1 A. In our analysis, and again, the teams that
2 looked at fleet specifically, I think what you're talking
3 about, there was an analysis done by the operating groups
4 around a common utilization of maintenance between the
5 fleet.

6 Q. Do you know whether KCPL or Aquila's per
7 vehicle cost of maintenance was used in calculating the
8 supply chain synergy savings?

9 A. I'm sorry. Would you do that again?

10 Q. Do you know whether it was KCPL's or
11 Aquila's per vehicle cost of maintenance used in
12 calculating the synergy savings?

13 A. We used the KCPL cost of maintenance.

14 Q. And you're without knowledge yourself as to
15 whether KCPL's management technique or Aquila's results in
16 a lower cost per vehicle, correct?

17 A. Again, Bill Herdegen can talk much deeper
18 about this than I, but at a very high level, Aquila
19 outsources their maintenance currently, and we do fleet
20 maintenance in house. And there was an analysis done
21 around the cost of doing that maintenance.

22 Q. Are you aware of any current limitations on
23 vehicle mobility as regards those vehicles currently owned
24 by KCPL versus those vehicles currently owned by Aquila?

25 A. Again, I would defer to Mr. Herdegen who

1 manages that.

2 Q. Well, perhaps you can help me out with
3 this, then. Do you know what Mr. Buran is referring to on
4 page 18 of his supplemental direct testimony when he
5 states the following is a step that must be taken to
6 achieve fleet synergy savings, and that would be the
7 vehicles need to be usable without regard to historic
8 geographic boundaries? This implies vehicle mobility will
9 not be restricted by union rules or other limitations.

10 MR. FISCHER: Judge, I think I'll just
11 interpose an objection. Mr. Buran will be here right
12 after Ms. Cheatum, and I think he can answer that
13 question. So I'll object to form just to be speculation
14 for Ms. Cheatum to try to say what she thinks that he
15 meant.

16 MS. KLIETHERMES: If I may respond to that.
17 I believe that the number that Ms. Cheatum sponsors is
18 derived largely if not entirely from the calculations of
19 Mr. Buran. So what I'm asking is her understanding of
20 whether or not a limitation that Mr. Buran says is in
21 place, whether or not that has been removed at the present
22 time.

23 JUDGE STEARLEY: Any other? I'm going to
24 sustain the objection. I believe it's calling for an
25 interpretation of Mr. Buran's testimony, and he will be

1 here. You're free to ask that directly to him. You do
2 not have to answer that question.

3 BY MS. KLIETHERMES:

4 Q. Are you aware whether vehicle mobility is
5 currently restricted by union rules or other limitations?

6 A. As part of the -- I mean, I am familiar
7 with our collective bargaining agreements, and there are
8 certain requirements in there, but specifically, no.

9 Q. Could you tell me what increased strategic
10 sourcing effectiveness is?

11 A. Increased strategic sourcing effectiveness
12 is a term that we have been using. I guess the best way
13 to describe that is we believe we will have our ability to
14 leverage the combined spend of these two companies.

15 Q. Do you yourself know what prevents KCPL and
16 Aquila today as separate entities, either acting on their
17 own or a consortium, from pursuing increased strategic
18 sourcing effectiveness?

19 A. Well, by virtue of bringing these two
20 operations together, assuming that if we want -- if we
21 believe that synergies are our ability to work together,
22 the combined organization, that would be the only way we
23 would get these integrated savings is by the combination
24 or the combined action, I should say, of these two
25 companies.

1 Q. So to your knowledge, they couldn't do this
2 through their combined action unless this merger occurs?

3 A. Correct.

4 Q. Could you tell me what better contract
5 utilization is?

6 A. Better contract utilization is a term that
7 we use that effectively means, as it relates to this, that
8 we will look at the price, the scope of contracts that
9 Aquila would have versus we would have, if you will, with
10 a specific commodity and hope -- and our expectation is
11 that we would be able to leverage the best of either world
12 in terms of their -- their contract in terms and
13 conditions.

14 Q. So could you draw a distinguishment between
15 better contract utilization and increased strategic
16 sourcing effectiveness?

17 A. Well, again, strategic sourcing goes to our
18 ability to leverage relative to the scale and economies
19 that we would have by combining these two. The contract
20 utilization would be our ability to document those in a
21 contractual form in the terms and conditions of any given
22 contract.

23 Q. Do you know what prevents KCPL and Aquila
24 today as separate entities from comparing contracts for
25 better contract utilization?

1 A. Today -- I mean, obviously prior to board
2 approval and Hart-Scott-Rodino we were not certainly
3 allowed to share pricing. Most of the contracts have a
4 confidentiality clause in them.

5 Q. Could you tell me what improved supplier
6 contract compliance is?

7 A. In purchasing, one of the many things we do
8 from an administrative perspective is to ensure that both
9 the contractor and we are complying by the contract,
10 whether that is discounts, rebates. Could be a litany of
11 things. Depends on what's in that contract. So best
12 practice is to ensure that the administration of those
13 contracts has oversight.

14 Q. So does KCPL not currently apply oversight
15 to the compliance with its contract?

16 A. We do.

17 Q. Does KCPL currently have any processes to
18 improve supply chain procurement?

19 A. We have a litany of things that we're
20 always looking at in terms of moving our operations, if
21 you will, I'm sure you've heard the term to Tier 1 or
22 Tier 2 status. We have metrics from a balanced score card
23 perspective that we would rate ourselves against relative
24 to other utilities.

25 Q. Do you know whether those efforts have been

1 successful in the past for KCPL?

2 A. Well, last year we had five different
3 metrics, and I believe two of those five we had moved up
4 rather significantly.

5 Q. Do you know whether Aquila has any similar
6 processes to improve pricing and procurement?

7 A. I know that we have talked about it. The
8 specifics of that I couldn't give you, but we have
9 discussed that.

10 Q. Do you know if the projected supply chain
11 synergy savings reflect savings that the companies could
12 accomplish on their own through their refinement of their
13 supply chain processes?

14 A. We believe that these synergy savings are
15 achieved by combining the operations of these two
16 companies, working together and getting economies of
17 scale. So no, we don't believe that they could be
18 realized or recognized without that.

19 Q. Do you know if KCPL or Aquila has tracked
20 their success in their own programs to improve their
21 access to the supply chain?

22 A. I'm not sure what you're asking.

23 Q. Does KCPL currently track cost reductions
24 and costs avoided or something very similar to that?

25 A. Yes, we do.

1 Q. Do you know if that amount is projected for
2 the coming up fiscal year or actual year?

3 A. We do projections based upon sourceable
4 spend for the upcoming year, yes.

5 Q. Do you know if those projections were
6 subtracted from the projected supply chain synergy
7 savings?

8 A. We did not account for avoidance or cost
9 projected in the synergy savings.

10 Q. What specifically was your role in
11 developing the projected supply chain merger synergy
12 savings figure?

13 A. My role was really to oversee the process
14 and the structure of the -- of the synergy teams and
15 approve the methodology by which the realization or the
16 analysis, I guess, was done to recognize the synergy
17 savings we believed could occur if this merger were to be
18 approved.

19 Q. Who developed that methodology if your role
20 was to approve it?

21 A. Well, the methodology was -- was really a
22 joint cross-functional team effort. Gosh, there were
23 probably 50-plus people from Kansas City Power & Light and
24 Aquila and certainly our external expert witness, Wally
25 Buran.

1 Q. Do you have a background in realizing or
2 projecting synergy savings?

3 A. I don't have a background. I have been
4 involved in mergers and acquisitions before.

5 Q. You say that you oversaw the process. What
6 did that entail?

7 A. Well, again, we started with what was our
8 baseline number, and I believe we all know it's the 2006
9 baseline number. And without going into great detail,
10 obviously we had to get the spend from both Aquila spend,
11 strip out everything that didn't have -- that wasn't
12 applicable, I should say, to Missouri electric operations,
13 combine that with the 2006 KCPL spend.

14 So if you will, there were -- there were
15 very clear steps in terms of how are we going to look at
16 the best way to operationally find synergy savings in a
17 combined company.

18 Q. Were you responsible for the decision to
19 escalate the projected synergy savings for CPI?

20 A. I was involved in the -- in the decision
21 where we thought it was prudent to assume an inflation
22 factor, yes.

23 Q. Were you responsible for the decision to
24 not update the 2006 baseline figures for known changes and
25 trends in the industry?

1 A. We made a decision, again back to the
2 conservative nature, we believe, of these synergy savings,
3 to only include inflation, period.

4 Q. Do you not think it would have been more
5 conservative to scale down for potential volatility in
6 projected figures?

7 A. Again, I think as we look at -- looked at
8 our risk and what known things we could account for, that
9 that was a prudent decision.

10 Q. Do you testify that you will ensure that
11 supply chain synergy savings will be achieved?

12 A. We believe that given the due diligence
13 around these, that these are very achievable. Clearly
14 there are many risks, and it's hard for me to guarantee
15 anything in life, but there has been a lot of work done in
16 looking at these, and we don't believe they're estimates.

17 Q. Do you have a copy of your testimony with
18 you?

19 A. I do.

20 MS. KLIETHERMES: And Judge, I'm sorry, I
21 don't recall what the exhibit number was assigned to this.

22 JUDGE STEARLEY: Exhibit No. 7.

23 BY MS. KLIETHERMES:

24 Q. If you could look at page 3.

25 A. Yes.

1 Q. And if you could read lines 12 through 13,
2 well, actually I guess 12 through 15.

3 A. 12 through 15?

4 Q. Yes.

5 A. On page 3?

6 Q. Yes.

7 A. Says, I am the guiding officer responsible
8 for ensuring that the supply chain synergies are achieved,
9 and I have the commitment and support of the executives
10 responsible for distribution, transmission and generation
11 in delivering the projected supply chain synergies. Other
12 officers are responsible for --

13 Q. That's fine.

14 A. Okay.

15 Q. So I ask you again, do you testify, and
16 this is a yes or no question, that you will ensure that
17 supply chain synergy savings will be achieved?

18 A. I cannot guarantee them.

19 Q. I'm sorry. I believe the answer would be
20 yes, no or I don't know.

21 A. I don't know.

22 Q. What does it mean to ensure that supply
23 chain synergy savings will be achieved?

24 A. I believe that when I wrote that, again,
25 the amount of diligence that we have done in the last nine

1 or ten months and the depth to which we have analyzed
2 these numbers and the conservative nature of the
3 synergies, we believe that there is more than a reasonable
4 chance that we will hit these numbers. We have done a lot
5 of work on this.

6 Q. Do you know whether yourself, Kansas City
7 Power & Light or Great Plains Energy has taken out any
8 sort of insurance policy to ensure that supply chain
9 synergy savings will be achieved?

10 A. I do not know that.

11 Q. Do you know if any of those parties have
12 engaged in any sort of hedging mechanism to safeguard
13 against any happenstance that those supply chain synergy
14 savings might not be achieved?

15 A. We have not as -- we have not in supply
16 chain done that, no.

17 MS. KLIETHERMES: Thank you. You've been
18 very patient.

19 THE WITNESS: You're welcome.

20 JUDGE STEARLEY: Thank you,
21 Ms. Kliethermes. Questions from the Bench, Commissioner
22 Murray?

23 COMMISSIONER MURRAY: I don't have any
24 questions. Thank you.

25 JUDGE STEARLEY: All right. No questions

1 from the Bench. There'll be no recross. Mr. Fischer,
2 redirect?

3 MR. FISCHER: Just very briefly, your
4 Honor.

5 REDIRECT EXAMINATION BY MR. FISCHER:

6 Q. Ms. Kliethermes asked you regarding, I
7 believe, a \$78 million supply chain savings related to
8 best practices spend management. Do you recall those
9 questions?

10 A. Yes.

11 Q. Can you tell the Commission in layman's
12 terms what you mean by best practices spend management?

13 A. You know, very basically, we believe that
14 combining of these two operations, that we will have scale
15 and scope of economies, and because of that, our ability
16 to leverage more favorable pricing in terms is very real.

17 Q. Can you give Commissioner Murray and the
18 Judge an example of what you mean by that? I mean, you're
19 talking about scale and scope of contracts.

20 A. Sure. I think in my -- one of the first
21 questions we talked about the spend categories, and we
22 looked at, for example, engineering services. We believe
23 and have already started conversations relative to a
24 larger scope of work with engineering services and believe
25 that there is certainly some upside in terms of pricing.

1 Vegetation management, I know something
2 that we all talk about a lot. Aquila's vegetation
3 management program is different from ours. Our costs I
4 believe are more advantageous. And again, we will be able
5 to leverage a greater larger spend round relative to
6 vegetation management.

7 Q. Is that best practices spend management the
8 largest single category of supply chain or are there
9 others as well?

10 A. Best practices spend management is the
11 largest piece of the 131 million.

12 Q. Okay. You were asked about the risk of
13 those supply chain savings. Does any other witness in
14 this part of the case address the risk associated with
15 supply chain savings as well?

16 A. Yes. I believe Wally Buran has that in his
17 testimony.

18 Q. Ms. Cheatum, how confident are you in being
19 able to achieve the \$130 million of supply chain savings?

20 A. I'm personally very confident. This is not
21 an estimate. We have worked, I believe, as my testimony
22 states, with the head of the operations of each of these
23 different areas, and they have either confirmed or
24 questioned where we -- the methodology and where we came
25 up with those numbers. I'm very confident.

1 Q. Ms. Kliethermes also asked you about the
2 improved fleet management, I believe. Do you recall those
3 questions?

4 A. Yes.

5 Q. Approximately how much of the supply chain
6 synergies are related to improved fleet management?

7 A. Well, of the 130, about 13 million.

8 Q. And would you explain where those savings
9 will occur in the fleet management area?

10 A. Sure. Well, there's two pieces to the
11 fleet management. One is a reduction in vehicles. There
12 will be overlap in vehicles that we have. For example, I
13 always give the example if you're combining two houses, or
14 a marriage, you don't need two houses. You don't need two
15 vacuums. We won't need as many vehicles when we combine.
16 We won't need as many -- and again Bill Herdegen's the
17 expert. But we believe through better efficiency and
18 productivity that we can reduce the real number of
19 vehicles we have by approximately 10 percent.

20 So that's only one piece of that. The
21 other piece of the equation I believe that we -- I talked
22 about earlier was our better practices, if you will, of
23 in-house maintenance of fleet, of fleet vehicles. Pardon
24 me.

25 Q. I believe you indicated that Aquila

1 currently outsources; is that right?

2 A. That is correct.

3 Q. And you also, I believe, mentioned the
4 inventory savings item in your testimony or in answer to a
5 question from Ms. Kliethermes. Do you recall that?

6 A. Yes, that is correct.

7 Q. Approximately how much is related to
8 inventory savings?

9 A. Of the 130 million, I believe it's only
10 about \$6 million.

11 Q. And explain what you mean by inventory
12 savings for the Bench.

13 A. In the -- as we looked at this, we assumed
14 that the avoidance of buying certain inventory because
15 there would be redundancy, there would be savings
16 generated, obviously, one, by not buying them; two, by a
17 consolidation of that inventory, less handling by
18 management. And then obviously if we are not buying
19 inventory, there's a cost of acquiring that inventory that
20 would be avoided as well.

21 Q. I believe you were also asked a question
22 about whether KCPL had considered entering into a
23 consortium. You said, I believe, no?

24 A. Yes.

25 Q. Would you explain why you have not

1 considered entering into a consortium?

2 A. Well, relative to the combined supply
3 chain, we believe -- or the integrated supply chain by the
4 combination of operating our territories, we believe that
5 we will have the leverage as a larger buying power, if you
6 will, that -- that we wouldn't have prior to that. So we
7 don't believe that's really something necessary for us to
8 have.

9 Q. Are there issues or concerns for a company
10 the size of KCPL to enter in a coop or consortium?

11 A. Well, there's costs involved in entering a
12 consortium. Again, I would probably defer to Mr. Buran to
13 talk to all the risks associated with that.

14 Q. I believe you also indicated in answer to
15 Ms. Kliethermes that you considered the conservative
16 nature of your analysis?

17 A. Correct.

18 Q. Do you recall that? Why do you consider
19 your analysis conservative?

20 A. Well, there's really a couple of reasons.
21 Again, when we -- our basis was a 2006 accounts payable
22 spend from both Aquila and Kansas City Power & Light. The
23 teams went -- went line by line almost through this and
24 tried to identify the addressable spend from their
25 perspective that we could go after. Clearly of the 500, I

1 believe, 250 million in O&M spend and about 350 in capital
2 spend was what was identified.

3 There are some things that aren't
4 sourceable, taxes, charitable gifts. So we really whittled
5 that down to only identify those that we believe there's a
6 high probability of gaining some sort of synergy.

7 MR. FISCHER: Judge, I think that's all I
8 have. Thank you very much.

9 JUDGE STEARLEY: Thank you, Mr. Fischer.
10 And thank you for your testimony, Ms. Cheatum. You will
11 not be finally excused as a witness, however, just in case
12 the Commissioners should have some additional questions
13 for you.

14 MR. FISCHER: I believe that does address
15 all of Ms. Cheatum's prefiled testimony, and I would move
16 for the admission of No. 7.

17 JUDGE STEARLEY: Any objections to the
18 admission of Exhibit No. 7?

19 MR. CONRAD: No.

20 MR. FISCHER: Hearing none, it shall be
21 received and admitted into evidence.

22 (KCPL/GREAT PLAINS ENERGY EXHIBIT NO. 7 WAS
23 RECEIVED INTO EVIDENCE.)

24 JUDGE STEARLEY: And Mr. Fischer, you may
25 call your next witness.

1 MR. FISCHER: Yes. We would call
2 Wallace P. Buran.

3 (Witness sworn.)

4 JUDGE STEARLEY: Thank you very much. You
5 may proceed.

6 WALLACE P. BURAN testified as follows:

7 DIRECT EXAMINATION BY MR. FISCHER:

8 Q. Mr. Buran, did you cause to be filed in
9 this proceeding supplemental direct testimony on
10 August 8th of 2007?

11 A. I did.

12 Q. I believe it's been marked as Exhibit
13 No. 6. Earlier in the proceeding I distributed some
14 changes that occurred on your schedules. We've
15 incorporated those into the Exhibit No. 6.

16 MR. FISCHER: Judge, I don't know if you
17 want me to go through those on the record or we've just
18 incorporated it into the schedule. We could just
19 introduce that. Counsel's received those ahead of time.

20 JUDGE STEARLEY: If you could just
21 introduce the updated schedule, that would be acceptable.

22 MR. FISCHER: With that, then, I would
23 tender the witness for cross-examination.

24 JUDGE STEARLEY: Again, in the interest of
25 saving time, were there any parties wishing to

1 cross-examine this witness other than Ag Processing,
2 Public Counsel or Staff?

3 MS. WILLIAMS: I do, your Honor. I would
4 like to, please, on behalf of the union intervenors.

5 JUDGE STEARLEY: Okay.

6 CROSS-EXAMINATION BY MS. WILLIAMS:

7 Q. Good morning, Mr. Buran.

8 A. Good morning.

9 Q. Is that correct, Buran?

10 A. Thank you.

11 Q. I'm Jane Williams, and I represent five
12 IBEW local unions as intervenors in this case.

13 Were you present when Ms. Cheatum was
14 providing testimony this morning?

15 A. Only a part.

16 Q. Were you present during the portion during
17 which she was asked about the vehicle mobility --

18 A. I was.

19 Q. -- piece? You were?

20 A. I was.

21 Q. And I apologize for not having your
22 testimony in front of me. I do not. However, it was
23 characterized by Staff counsel as that the -- I'm
24 paraphrasing, of course -- the synergy savings that
25 related to vehicle mobility could only be achieved if the

1 limitations that are currently subject to union rules were
2 lifted.

3 A. I don't believe that was the testimony.

4 Q. You do not?

5 A. No.

6 Q. Can you by chance point to the part of your
7 testimony that relates to this?

8 A. Page 18, lines 22 and 23.

9 Q. Would you read that for us, please?

10 A. Sure. Vehicles need to be usable without
11 regard to the historic geographic boundaries. This
12 implies vehicle mobility will not be restricted by union
13 rules or other limitations.

14 Q. And is it your understanding that vehicle
15 mobility is currently restricted by union rules?

16 A. It is a practice, as I understand it, but
17 Mr. Herdegen can speak more directly to the union rules
18 specifically. I have not read the union contracts nor
19 talked with the union.

20 Q. It is, however, your testimony that in
21 order for these particular synergy savings to be realized,
22 that those restrictions would have to be relieved?

23 A. No.

24 Q. I'm afraid I'm misunderstanding your
25 testimony. Can you clarify?

1 A. It says they need to be removed in order to
2 get the full impact of it. If you're moving between
3 different territories, then you could have an impact
4 there. I don't know -- we didn't try to quantify what the
5 impact was.

6 The implication would be, if you try to
7 move a vehicle across a normal service territory into a
8 different one, that that would -- that restriction could
9 cause a lower utilization of vehicles, hence requiring
10 more vehicles. I don't know how often that occurs. I
11 don't believe it's very common today. The point being
12 made was, in order to get the full utilization of benefit
13 from that, you need to be able to move equipment around as
14 you need to. There is some use of that today, but it's
15 not a common practice.

16 Q. So I'm still a little confused about how
17 what you're saying differs from what I'm saying. Can you
18 tell me, then, do you know how much of the projected
19 synergy savings relative to vehicle mobility would be
20 realized or not realized based on the lifting of these
21 requirements?

22 A. You'd have to make a projection as to how
23 often those cross-territory events occur. Typically they
24 would only occur in the case of an emergency or in the
25 case of an outage and you're trying to react to a crisis

1 situation. But I don't know how often they have been, nor
2 do I have any information or would I be willing to make a
3 projection how often they will be occurring in the future.

4 So what percentage it is, my flag here was
5 to say to get the full value of everything and to take it
6 as far as you could go, there would be some need to do
7 that possibly.

8 Q. Your analysis, then, did not specifically
9 address the lifting of those requirements and how they
10 would specifically impact the synergy savings?

11 A. No. That would be a function of how the
12 unions and how the company works together around that
13 topic.

14 Q. But you did not analyze that as a part of
15 your analysis?

16 A. No. There was no data from which to do
17 that.

18 MS. WILLIAMS: I appreciate it. Thank you.
19 That's all I have.

20 JUDGE STEARLEY: Thank you, Ms. Williams.
21 Ag Processing?

22 MR. CONRAD: No questions, your Honor.

23 JUDGE STEARLEY: Office of Public Counsel?

24 CROSS-EXAMINATION BY MR. MILLS:

25 Q. I have just a few, and I'm not sure if you

1 or Mr. Herdegen is the proper person to ask these, but
2 let's see if I can get to this question through you. Is
3 it your understanding that after the merger there will be
4 no Aquila employees, that all the employees of the two
5 companies will -- that there will only be KCPL employees?

6 A. I think you probably ought to refer to
7 Mr. Herdegen or another one of the KCPL witnesses. I was
8 not a part of that discussion.

9 Q. Let me ask you a different question. Will
10 there -- after the -- after the merger, will there be
11 trucks owned by KCPL and other trucks owned by Aquila?

12 A. I don't know the allocation of assets. My
13 understanding is they're combining operations. The assets
14 will remain separate. Specifically around inventory and
15 vehicles, other witnesses are better prepared to talk
16 about that.

17 Q. So you can't really answer questions about
18 inventory?

19 A. I can answer questions about how inventory
20 savings were calculated. I'm not a lawyer, and nor was I
21 in the middle of constructing the deal structure.

22 Q. Well, let's see what you know about
23 inventory. Right now, KCPL maintains inventory and Aquila
24 maintains separate inventory; is that correct?

25 A. That is correct.

1 Q. Post merger, did you calculate savings
2 based on KCPL maintaining inventory and Aquila maintaining
3 inventory?

4 A. We looked at a combined inventory
5 situation.

6 Q. And who would own that inventory?

7 A. It would depend. When the inventory is
8 purchased before it's installed or if it's a non-capital
9 item, it would be owned by the new company. Once it's
10 installed, it would be installed either into the rate base
11 of Aquila or the rate base of KCPL.

12 JUDGE STEARLEY: Excuse me, Mr. Mills. I
13 don't mean to interrupt. Mr. Buran, could you please try
14 and use the microphone a little bit more?

15 THE WITNESS: Sorry.

16 JUDGE STEARLEY: Works out much better for
17 our recording.

18 THE WITNESS: My apologies, Judge.

19 BY MR. MILLS:

20 Q. And when you say the new company, what do
21 you mean?

22 A. The merged operating entity that will be
23 providing service to both Aquila and to KCPL customers.
24 But again, the structure of the deal, how it's put
25 together, those are better answered by the regulatory

1 group that constructed the transaction.

2 Q. But it's your understanding that post
3 merger there will be sort of a service company that
4 provides service to both entities?

5 A. I know that's been considered. I was not
6 there when the final decisions were made on that, if, in
7 fact, they've been made. But the intent is that one
8 entity would buy and then allocate that inventory or those
9 assets to whichever of the regulated entities need to use
10 them. Pretty standard.

11 Q. And is that, in fact, the way that
12 inventory savings were calculated, based on that
13 assumption?

14 A. It is.

15 MR. MILLS: I don't believe I have any
16 further questions. Thank you.

17 JUDGE STEARLEY: Thank you, Mr. Mills.
18 Staff?

19 CROSS-EXAMINATION BY MS. KLIETHERMES:

20 Q. Good morning, sir. I'm sorry. I believe I
21 mispronounced your name earlier. Is it Buran?

22 A. It is. Thank you.

23 Q. Does KCPL currently have the authority to
24 make purchases on behalf of Aquila?

25 A. I don't know the legal answer to that

1 question. They're not currently doing that, that I'm
2 aware of, unless there's been a sale of that material to
3 Aquila.

4 Q. What interest rate was used to calculate
5 what it cost to have money tied up in inventory goods?

6 A. 22 percent.

7 Q. And do you know whether that 22 percent
8 reflects Aquila's actual cost of debt?

9 A. I don't believe it came from Aquila. The
10 information came from the value engineering group at
11 Kansas City Power & Light. We used that as a conservative
12 assumption. Aquila would have a much higher cost of debt,
13 therefore a higher carrying cost of inventory. So we used
14 the most conservative assumption available.

15 Q. What confidence interval would you
16 associate with the figure 130.9 million?

17 A. Extremely high.

18 Q. Number value, if possible?

19 A. I don't know how you'd go about calculating
20 that number value.

21 Q. So has a specific statistical analysis of
22 the reliability of the supply chain synergy savings been
23 performed?

24 A. We've done that at the category level. But
25 go back to the process that was used. We started with

1 about 4,500 pages of the account payable data from both
2 Aquila and KCPL. That was extracted on a line by line,
3 vendor by vendor, transaction by transaction basis into
4 the categories --

5 Q. Sir, I believe you've been sufficient in
6 your non-response to my initial question as to whether a
7 specific statistical analysis was performed, yes or no or
8 you don't know.

9 A. There was -- there was no possible
10 statistical analysis of which I'm aware that could be
11 performed.

12 Q. Okay. Thank you.

13 A. At the total level we did take that
14 analysis at the individual line item level.

15 JUDGE STEARLEY: Mr. Buran, please restrict
16 your answers just to the questions being asked. If KCPL
17 attorneys wish for you to provide further explanation on
18 these, they'll give you a chance on redirect examination.

19 THE WITNESS: Certainly, your Honor. I
20 just thought I was answering to the question.

21 JUDGE STEARLEY: I understand.

22 BY MS. KLIETHERMES:

23 Q. I appreciate your effort. What confidence
24 interval would you associate with the cost to achieve
25 calculation?

1 A. Maybe you need to clarify for me what you
2 mean by confidence interval. I have a degree in
3 statistics, but I'm not sure I know how you're applying
4 that term.

5 Q. Well, that's what I'm asking you as a
6 statistician because I am certainly not a statistician.

7 A. I would not apply a confidence interval at
8 an aggregate number. Statistically that would be invalid.
9 I would have looked at confidence interval at individual
10 data.

11 Q. All right. Thank you. That's very
12 helpful. Do you know whether any information about the
13 reliability of the projected supply chain synergy savings
14 was related to any Wall Street raters that may have
15 participated in merger preparation?

16 A. I need to understand that question. Could
17 you repeat that, please?

18 Q. Do you know whether any information about
19 the reliability of the projected supply chain synergy
20 savings was related to any Wall Street raters who
21 participated or may have participated?

22 A. I'm not aware of any Wall Street raters
23 that participated.

24 Q. So you did not communicate any information
25 about the reliability of the supply chain synergy savings

1 projection to any investment groups or --

2 A. No.

3 Q. -- rating companies?

4 Thank you. Are you aware whether or not it
5 is a common practice for KCPL and Aquila to engage in
6 resource sharing during emergencies?

7 A. That has been -- that has occurred in the
8 past. To what degree and under what circumstances, you'd
9 need to ask Bill Herdegen or the appropriate people from
10 Aquila.

11 Q. Did you perform analysis as to the
12 appropriate inventory levels to account for emergency
13 resource sharing?

14 A. We did consider that. Again, it was an
15 integrated team of people who were involved from an
16 operations point of view as well as emergency and trouble
17 point of view, not just something that I did. So this
18 was -- that expertise was available as we put those
19 estimates together.

20 Q. I'll ask you to take a look, if you would,
21 at page 2 of your testimony. You state, do you not, that
22 the purpose of your testimony is to provide insight into
23 and an independent assessment of the proposed synergy
24 savings estimate, cost to achieve those synergies and
25 supply chain business process to the supply chain areas of

1 the proposed merged company?

2 A. I do see that. I believe it's lines 14
3 through 16.

4 Q. Did I read that correctly?

5 A. You did.

6 Q. So is it your testimony that the merger of
7 Aquila with Gregory Acquisition Corp will produce an
8 estimated \$130.9 million of supply chain synergy savings?

9 A. My only concern is to make certain that I'm
10 not miscommunicating in today's world versus the testimony
11 filed in August. What we assumed here was the combined
12 operation of those entities. The legal issues around a
13 merger, not a merger, that's for smarter people than me to
14 answer.

15 MS. KLIETHERMES: Thank you. You've been
16 very helpful.

17 JUDGE STEARLEY: Questions from the Bench,
18 Commissioner Murray?

19 COMMISSIONER MURRAY: I have no questions.

20 JUDGE STEARLEY: Commissioner Clayton?

21 COMMISSIONER CLAYTON: No questions.

22 JUDGE STEARLEY: All right. There will be
23 no recross, then, and we will go to redirect, Mr. Fischer.

24 MR. FISCHER: Yes.

25 REDIRECT EXAMINATION BY MR. FISCHER:

1 Q. Mr. Buran, you were asked about confidence
2 intervals. Do you recall those questions?

3 A. I do.

4 Q. Although you didn't apply a confidence
5 interval, how confident are you in the estimates that you
6 provided in your testimony?

7 A. I'm very confident of those. I think the
8 potential of those savings is, from my point of view, as
9 achievable and secured as any I've ever been involved in.
10 I think in terms of the detail process behind putting
11 those together, the individual savings areas are quite
12 strong and, in fact, very conservative.

13 Q. You mentioned being conservative in
14 answering Ms. Kliethermes. Why is it conservative in your
15 analysis or from your perspective?

16 A. If I may talk a bit about the overall
17 process that was used that was designed by both KCPL and
18 the outside experts from Bridge. We started with the
19 detailed analysis at a line item level of the actual spend
20 in 2006. We then used a series of very conservative
21 escalation assumptions from the 2006 baseline, 3.1 percent
22 as I recall. Each of those categories were then built up
23 on an individual line item basis to get to an overall
24 category, of which there were roughly 29.

25 And in each of those we went through on an

1 opportunity by opportunity basis to the extent we had data
2 available, and we came up with here are the reasonable
3 ranges that have been achieved in other mergers, both
4 within and outside the utility. A lot of the purchases
5 here are things that other companies use besides just
6 utilities.

7 We then picked in most cases the midpoint
8 or below. There were a few cases where because of the
9 unique geographic contiguity of the utilities and the
10 scale leverage they'll get around a single operation, we
11 felt we could go slightly above the midpoint, but at no
12 point did we go even close to the upper end range.

13 So the individual estimates themselves are
14 midpoint or below for the most part. It does not address
15 a significant part of spend. Total AP spend was 2
16 billion. We looked at about 500 million of that. And we
17 actually looked at sourceable spending around less than 200
18 million in O and M in any given year.

19 So the basis of the numbers is quite
20 conservative, the basis of the projections are quite
21 conservative, and the specific experience that's being
22 applied there was then reviewed by well over 40, 50 people
23 within KCPL and Aquila. We had individual leaders of each
24 of those areas look and assess that and have no objections
25 to it. So I think those numbers are, in fact, quite

1 conservative and quite achievable.

2 Q. I believe you were also asked by
3 Ms. Kliethermes about an interest rate of 22 percent.
4 What was that used for and how was it developed?

5 A. That is the carrying cost of inventory.
6 You have items that are put in inventory in preparation
7 for construction or for use in emergencies. Cost of
8 carrying those, and it's capital cost and other factors.

9 Q. I believe you indicated that was
10 conservative as well?

11 A. I did not provide that number. That you
12 need to talk with, I believe, Ms. Wright from KCPL.

13 MR. FISCHER: Thank you very much. That's
14 all I have, your Honor.

15 JUDGE STEARLEY: Thank you, Mr. Fischer.
16 Thank you, Mr. Buran. You may step down at this time.
17 However, I'm not finally excusing you as a witness just in
18 case the Commissioners should have any additional
19 questions for you.

20 MR. FISCHER: Judge, I do believe that's
21 the last of Mr. Buran's testimony on prefiled issues, and
22 I would move for the admission of Exhibit No. 6.

23 JUDGE STEARLEY: Any objections to the
24 admission of Exhibit No. 6?

25 MR. CONRAD: Yes.

1 JUDGE STEARLEY: Mr. Conrad?

2 MR. CONRAD: As indicated in our initial
3 motion in limine filed on or about November 28,
4 Mr. Buran's supplemental direct, which is Exhibit 6, we do
5 object on those bases stated therein to material that
6 begins at page 2, line 21 and extends through page 12,
7 line 2, to the material that begins on page 13, line 14,
8 through page 16, line 19, through page -- or at page 17,
9 line 3 through page 27, line 17.

10 For your Honor's benefit, those are also
11 stated on page 6 of that motion in limine. The basis
12 therefore is as stated in the motion in limine and as I
13 have stated before. Refers to irrelevant and immaterial
14 matters that are not properly before the Commission. I
15 expect that my record will remain unblemished in that
16 regard.

17 JUDGE STEARLEY: I would expect so, too,
18 and the Commission's record will remain unblemished in
19 overruling your objection for the same reasons already
20 ascribed. Thank you, Mr. Conrad.

21 Any other objections to the admission of
22 Exhibit No. 6?

23 (No response.)

24 JUDGE STEARLEY: Hearing none, it shall be
25 admitted and received into evidence.

1 (KCPL/GPE EXHIBIT NO. 6 WAS MARKED FOR
2 IDENTIFICATION AND RECEIVED INTO EVIDENCE.)

3 JUDGE STEARLEY: And you may call your next
4 witness.

5 MR. BLANC: Great Plains Energy and Kansas
6 City Power & Light calls Dana Crawford.

7 (Witness sworn.)

8 JUDGE STEARLEY: You may be seated. And
9 you may proceed.

10 MR. BLANC: Thank you.

11 DANA CRAWFORD testified as follows:

12 DIRECT EXAMINATION BY MR. BLANC:

13 Q. Mr. Crawford, did you cause to be filed
14 direct and supplemental direct testimony in this
15 proceeding?

16 A. Yes, I did.

17 Q. Do you have a copy of that testimony with
18 you?

19 A. Yes, I do.

20 Q. Do you have any corrections to make to that
21 testimony?

22 A. No, I don't.

23 MR. BLANC: I tender the witness for
24 cross-examination and questions from the Bench.

25 JUDGE STEARLEY: Thank you. And once

1 again, for conservation of time, any parties? IBEW
2 unions, Ms. Williams.

3 MS. WILLIAMS: Thank you, your Honor.

4 CROSS-EXAMINATION BY MS. WILLIAMS:

5 Q. Good morning, Mr. Crawford.

6 A. Good morning.

7 Q. I'm Jane Williams. I represent the five
8 local IBEW unions as intervenors in this case. I have
9 just a couple of questions for you about your prefiled
10 testimony.

11 When you first filed your direct testimony,
12 which appears back in April of '07, you said that you were
13 in the process of establishing a plant operations
14 integration team; is that correct?

15 A. That's correct.

16 Q. And did that occur, in fact?

17 A. Yes, it did.

18 Q. Can you tell me who -- who were the members
19 of this team and how many were there?

20 A. There were approximately ten members. I
21 will try to remember their names all in total. There was
22 a -- it was a joint group between -- of Aquila and Kansas
23 City Power & Light employees. There was Marvin Rolison
24 headed that group up. There was Mr. Hedrick, who was the
25 engineering representative from Aquila. There was

1 Mr. Modlin.

2 Q. I'm sorry. I just need to stop you.

3 What's Mr. Rolison's position?

4 A. His current position is vice president
5 of -- it will become vice president of gas operations and
6 renewables.

7 Q. He's currently employed by KCP&L?

8 A. Yes, he is.

9 Q. Thank you. Go ahead.

10 A. Terry Hedrick, Mr. Hedrick from Aquila,
11 John Modlin from Kansas City Power & Light, Steve Cox from
12 Kansas City Power & Light, Jeremy, and I apologize. I
13 should remember his last name. He's with Aquila, vice
14 resident of Aquila. There was a Larry Swanson from Kansas
15 City Power & Light. There was another gentleman, Stan
16 Prenger from Kansas City Power & Light. There were at
17 least another one or two Aquila people that were involved,
18 and I apologize, I can't remember their names off the top
19 of my head. It was a total of ten people on that team
20 that worked on this.

21 Q. And all of this team was made up, if I'm
22 correct in what you've told me, they were all made up of
23 management people, people in supervisory positions from
24 both Aquila and KCPL?

25 A. That is correct.

1 Q. There would not have been any union members
2 or any union involvement in any of this?

3 A. No. Not on this team, no.

4 Q. And was one of the purposes of this team to
5 make a determination about the joint dispatch of the
6 generation fleet?

7 A. No, it was not. My testimony basically
8 assumes that the units will not be jointly dispatched.

9 Q. But isn't it, in fact, true that this
10 group, this plant operations integration team was asked to
11 look at that and determine whether or not they would be
12 jointly dispatched?

13 A. No. No, that was not part of their task.

14 Q. Would you take a look for me, please, at
15 your initially filed testimony, your direct testimony
16 filed in August of '07 -- I'm sorry, April of '07.

17 A. Okay.

18 Q. At page 2.

19 A. Okay.

20 Q. The question is on line 7, and your
21 response begins on line 8, and I will admit that this is a
22 little bit vague. However, the question is, what is the
23 purpose of your testimony? And the last line says, I will
24 also address the issue of jointly dispatching the
25 generation fleets and Great Plains Energy's long-term plan

1 for its operation. Did I read that correctly?

2 A. Yes, you did.

3 Q. If you could clarify for me how you
4 addressing that is separate from the considerations taken
5 in by the plant operations integration team, I'd
6 appreciate that clarification.

7 A. The plant integrations operation team, they
8 focused on joint operations at the plant level, basically
9 operating -- operating the plants, how we do that jointly,
10 what were the potential synergies and benefits from doing
11 that. The testimony concerning the joint dispatch was to
12 make it clear that none of this was premised on the fact
13 of jointly dispatching the units, and that was a
14 consideration that would be taken up in the future if
15 those benefits were deemed to be useful in going forward.

16 But that was not the purpose of this team.
17 This team was focused on operating of generating units,
18 not the joint dispatch, which is something Mr. Spring
19 covers in his testimony.

20 Q. I appreciate that, and I can address that
21 with Mr. Spring. However, I'm wondering if you have any
22 knowledge of any analysis ongoing with regard to the
23 potential for future joint dispatch?

24 A. No, I don't.

25 Q. Okay. I would like to point you toward

1 your supplemental direct testimony, then.

2 MS. WILLIAMS: And your Honor, I do not
3 intend to reference the highly confidential charts, and I
4 don't believe any of his testimony itself has been deemed
5 highly confidential. If we get into that, if someone
6 wants to --

7 JUDGE STEARLEY: I'm sure someone will call
8 our attention to it.

9 BY MS. WILLIAMS:

10 Q. My intention is to address the testimony
11 itself and not get into the highly confidential documents.
12 If you could take a look for me, please, Mr. Crawford, at
13 beginning on page 2.

14 A. Okay.

15 Q. Line 8.

16 A. All right.

17 Q. Where you were asked, can you describe the
18 additional merger related synergies that have been
19 involved?

20 A. Yes.

21 Q. Are those, in fact, the merger related
22 synergies that were identified by the plant operations
23 integration team?

24 A. Yes, they were. There was a joint effort
25 between Power & Light and the employees not only on the

1 team but also those -- particularly those at the Sibley
2 plant.

3 Q. And I believe you're referring to Sibley 3?

4 A. All three Sibley units basically. We
5 worked with -- the management of those units was involved
6 in these discussions with the team.

7 Q. Okay. And the first -- in that paragraph,
8 beginning on line 9, I believe the first identified merger
9 related synergy had to do with the production and
10 optimization of Aquila's Sibley 3 generating unit; is that
11 correct?

12 A. That's correct.

13 Q. And a part of that identified synergy has
14 to do with base load operation versus load following
15 operation?

16 A. Right.

17 Q. I may, in fact, be the only person here who
18 doesn't know what that means, but I wonder if you could
19 explain to me in layman's terms what that means?

20 A. Well, throughout the year and then on a
21 daily basis load, retail load that's served the a utility
22 varies. In the summertime obviously the highest peak is
23 during the day, and then in evenings and off peaks it
24 drops down. In order to follow that load, the generating
25 units are moved either -- are increased in output or

1 decreased in output in order to correspond to that load,
2 and that's -- that would be what was meant by load
3 following.

4 Q. And then what would be a base load
5 operation? How would that be characterized?

6 A. Base load operation is generally your
7 larger units which you try to set at a particular load,
8 their maximum load if possible, and leave them at that
9 load, but that isn't always possible given the
10 circumstances on the system.

11 Q. So you have -- you have proposed in this
12 paragraph and following of your testimony, you've proposed
13 moving the load following operation to other units. I
14 wonder if you could clarify what other units you mean and
15 are these current Aquila units? Are you talking about
16 after the proposed merger that some of this operating
17 would -- or some of this load following operation would
18 occur at KCPL units on behalf of Sibley 3? Tell me how
19 you anticipate that working.

20 A. I think the discussion around this was that
21 we discussed this with the plant. It was basically
22 anecdotal information from the plant staff that said the
23 unit on occasion will have to be moved, moved in load.
24 That does have an effect on the combustion process, which
25 can contribute to slagging.

1 So Aquila doesn't keep specific records of
2 which units they utilize to load follow, but one of the
3 discussions was that it might be possible to move -- and
4 this would be an economic analysis of it might be possible
5 to perhaps move load following either to perhaps some of
6 the Greenwood units or perhaps one of the Jeffery units
7 which Aquila has a joint ownership in.

8 And the cost, this would have to be
9 something that would be evaluated in the future, what the
10 effect of the load following was on the slagging and the
11 related cost of slagging and then the related cost of
12 moving that load following to another unit. But because
13 Aquila doesn't actually track that information, it was
14 more anecdotal than it was specific.

15 Q. So you were not able to analyze that to the
16 degree you might have been otherwise been able to?

17 A. Not yet, we have not been, no.

18 Q. But if you were discussing moving a load
19 following, you would be discussing moving it to one of the
20 jointly owned units; is that what I'm to understand?

21 A. We're looking -- the two units that came up
22 in that discussion, one was the potential possibility of
23 using one of the Jeffery units, which is a jointly owned
24 unit with West Star, or moving to one of the Greenwood
25 CTs, which our Aquila owned. They're not -- KCPL has no

1 ownership currently in either one of those units.

2 Q. The synergy net that you mentioned with
3 regard to this particular identified merger related
4 synergy is found on page 4 on lines 8 and 9, and you state
5 that the net effect of this synergy is 17.0 million over a
6 five-year time period. Do you see where I read that?

7 A. Yes, I do.

8 Q. Did I read it correctly?

9 A. Yes, you did.

10 Q. Does this synergy net of \$17 million over
11 five years require the total integration of the bargaining
12 units of the five local IBEWs into three?

13 A. No, it does not.

14 Q. The second identified merger related
15 synergy I'd like to point you to is also on page 4.
16 Begins on line 10.

17 A. Okay.

18 Q. And that deals with a boiler tube failure
19 reduction, cycle chemistry improvement program.

20 A. Yes.

21 Q. And you state that there's a plan to apply
22 this program to Sibley Units 1, 2 and 3, and also the Lake
23 Road Unit 4; is that correct?

24 A. That's correct.

25 Q. And that synergy effect, which could be

1 found on page 5, lines 19 through 21, you state is
2 \$5.6 million over the first five years?

3 A. That is correct.

4 Q. And in your opinion, does this synergy
5 savings require integration of the five local IBEW
6 bargaining units into three?

7 A. No, it does not.

8 Q. The third identified merger related synergy
9 is on page 6, line 1. Has to do with combining the
10 operations of the company's combustion turbine generation
11 fleets; is that correct?

12 A. Yes, it is.

13 Q. And I'm going to come back to that, but let
14 me go ahead and ask you then, with relation to the synergy
15 savings on page 6, lines 16 and 17, synergy savings from
16 combining the CT generation fleets would be \$3.1 million
17 over a five-year period?

18 A. Yes.

19 Q. Does that synergy effect depend on the
20 integration of the five bargaining units into three?

21 A. It's possible that it could. Let me take
22 that back. Not necessarily the five into three, but it
23 would involve the use of craft from both 814 and 412.

24 Q. And would you be able to say, then -- and I
25 do want to get into some of that issue that you're

1 alluding to there, but I think that I still would like to
2 have an answer to whether or not it's your opinion that
3 the synergy effect would depend on the integration of the
4 five bargaining units into three?

5 A. For this particular?

6 Q. For this particular.

7 A. I don't believe it would require five into
8 three.

9 Q. If no integration were to occur and all
10 five bargaining units were to remain autonomous and
11 solvent, do you have an opinion on how much of this
12 particular synergy might not be realized?

13 A. Some possibly would not be, but I can't
14 tell you exactly what that would be right now.

15 Q. So you don't know?

16 A. No, I don't.

17 Q. Okay. Thank you. I want to go into just a
18 little bit, I'm assuming that some of the issues that I
19 have in my mind are the same as yours with regard to this
20 particular synergy and the CT generation fleet. My
21 understanding is that the current contract under which the
22 KCP&L employees at Local 412 are operating, they operate
23 in single craft positions. Is that your understanding as
24 well?

25 A. Not entirely. In some cases that's true.

1 In the case of the CT fleet, our CT technicians, they do
2 both operations and maintenance in that area.

3 Q. And how many of that particular combination
4 are you aware, how many employees operate in that?

5 A. I believe there's 12 CT technicians. There
6 are 12 in that group. I would have to double check how
7 many were technicians, how many electricians.

8 Q. And it's your understanding that they
9 currently do both those jobs? Will you say them again,
10 please, in your words?

11 A. They do operations and maintenance work.

12 Q. Okay. It's my understanding that under the
13 contract for the most part the employees in the CT units
14 are single craft workers. Is that not your understanding?

15 A. In general, on the maintenance side, that's
16 to some extent correct. We have electricians and
17 technicians, but they both perform operating and
18 maintenance tasks.

19 Q. And is that different than -- you're
20 confusing me just a little bit because my understanding is
21 a little bit different than yours about how that operates.
22 However, do you -- is that different than your
23 understanding of how the Aquila -- the similarly situated
24 Aquila employees work?

25 A. I'd have to say I'm not familiar how they

1 work in that process. I know they have a separate CT
2 organization, but how their craft may or may not work
3 cross crafting, I'm not familiar with that.

4 Q. So in your analysis of this particular
5 synergy, did you take into consideration whether or not
6 the employees would be single craft or multi-craft
7 employees?

8 A. We assumed that they were -- that both the
9 CT craft for Aquila and the CT craft for Kansas City
10 Power & Light both functioned essentially the same. That
11 was our assumption in this.

12 Q. And did you get information from Aquila
13 with regard to how their -- how they operate with
14 multi-crafting?

15 A. I don't know in that case.

16 Q. So your testimony here is apparently that
17 you're not aware of whether that multi-crafting issue is a
18 part of your analysis?

19 A. We assume -- my belief is we assume that
20 Kansas City Power & Light, the same functions performed by
21 Kansas City Power & Light employees were the same
22 functions that -- Aquila functioned in the same way as far
23 as their craft was concerned.

24 Q. Which may or may not be true?

25 A. May or may not be true, that's correct.

1 Q. And the other question I have with regard
2 to the differences in the way the fleets operate has to do
3 with the shifts, the hourly shifts. It's my understanding
4 that KCP&L employees in these positions by contract work
5 eight-hour shifts?

6 A. That's correct.

7 Q. And, in fact, that the Aquila employees in
8 the similarly situated positions work 12-hour shifts.
9 Were you aware of that discrepancy?

10 A. I'm not aware that that is the case for the
11 CT fleet. I know it is the case for operators at the Lake
12 Road plant.

13 Q. Yes. And that's correct. That is true at
14 Lake Road plant. So in your analysis, did you take into
15 consideration in determining the amount of synergies
16 making a change from 8 hours to 12 hours, 12 hours to 8
17 hours?

18 A. No, we did not.

19 Q. So if they -- if both of these -- if all of
20 the Aquila employees become employees of KCP&L and are
21 operating under KCPL's contract, let's just say for
22 purposes of this, your organization, your team did not
23 take into consideration how that differential might be
24 resolved or might enter into the amount of synergy
25 savings?

1 A. No, we did not.

2 Q. What other -- from your perspective, what
3 other challenges do you see with regard to this particular
4 synergy savings?

5 A. I think really the -- we saw this as one of
6 the opportunities for Kansas City Power & Light to gain
7 from -- it isn't just a one-way street. We saw an
8 opportunity for Kansas City Power & Light to learn from
9 Aquila. I think as we have more experience, I think we're
10 going to have opportunity to learn practices that will
11 improve our operation as well.

12 Hopefully we can demonstrate that we've got
13 capabilities that will aid them and vice versa. This is
14 one of the areas where we felt they had more experience
15 than we did. They'd gone through more maintenance cycles
16 on particularly their gas turbines, and we felt that that
17 experience, technical experience and oversight would be
18 beneficial to us.

19 Q. So my question actually was, what
20 challenges do you see?

21 A. Frankly, this is one, I think the --
22 probably the -- if there is a challenge, and it's only a
23 challenge to a portion of the synergy, would be the
24 integration of the labor force, but that's a -- again,
25 it's not the entire synergy. It's a portion of the

1 synergy.

2 Q. You're talking about a portion of the third
3 identified synergy only; is that correct?

4 A. Right.

5 Q. So do any of the other synergies other than
6 the third one and those issues about which we just spoke,
7 do any of the other five -- the other four of those five
8 synergies identified by this operations team depend upon
9 the integration of the five locals into three?

10 A. No.

11 MS. WILLIAMS: Thank you very much.

12 JUDGE STEARLEY: Thank you, Ms. Williams.
13 Cross-examination, Ag Processing?

14 MR. CONRAD: We have no questions for
15 Mr. Crawford. I will at the appropriate time have
16 objections with respect to testimony.

17 JUDGE STEARLEY: Thank you, Mr. Conrad.
18 Mr. Mills?

19 MR. MILLS: No questions.

20 JUDGE STEARLEY: Mr. Thompson?

21 MR. THOMPSON: No questions for this
22 witness.

23 JUDGE STEARLEY: Questions from the Bench,
24 Commissioner Murray?

25 COMMISSIONER MURRAY: No questions.

1 JUDGE STEARLEY: There will be no recross.
2 Any redirect?

3 MR. BLANC: Just briefly, your Honor.

4 REDIRECT EXAMINATION BY MR. BLANC:

5 Q. Mr. Crawford, you were asked to walk
6 through five particular dollar figures associated with
7 different synergy estimates. What's your confidence level
8 in achieving those synergies based on implementing those
9 practices?

10 A. I think if you have an low, medium and
11 high, I'd put it at high. I mean, these were synergies
12 that weren't -- they were basically ground-up synergies.
13 I mean, they started at the bottom. We worked with the
14 plant management staff. The folks on the integration team
15 were experienced. There was a lot of discussion, and I
16 think it's not just Kansas City Power & Light coming up
17 with these numbers. The Aquila plant management also
18 agreed and felt that these were achievable. So I have a
19 high degree of confidence that these will be accomplished.

20 MR. BLANC: No further questions, your
21 Honor.

22 JUDGE STEARLEY: Thank you very much. At
23 this time, Mr. Crawford, you may step down. However, as
24 I've been doing with all the witnesses, I will not finally
25 excuse you in case the Commissioners should have

1 additional questions for you.

2 MR. BLANC: Your Honor, this is his only
3 appearance based on his prefiled testimony. At this time
4 I'd like to move for the admission of Exhibits 11 and 12,
5 and there's both an HC and NP version of Exhibit 12.

6 JUDGE STEARLEY: Any objections to the
7 admission of Exhibits 11 and 12?

8 MR. CONRAD: Yes. And they are limited,
9 Judge, to Exhibit 12, and my references here are pulled
10 from the HC version, but I'm presuming that the NP version
11 page and line is essentially the same. Those are found
12 for your Honor's benefit in our motion in limine dated
13 November 28, 2007, filed on or about that, on page 6. And
14 if you would like me to read those, I will, or if that's
15 good enough --

16 JUDGE STEARLEY: I think that's good
17 enough. They're the same ones we have echoed?

18 MR. CONRAD: Yes. The basis would be the
19 same as stated in the motions in limine and as I have
20 stated verbally here in the last couple days.

21 JUDGE STEARLEY: All right. And those
22 objections will be overruled for the same reasons
23 previously stated, and Exhibits No. 11 and 12 shall be
24 admitted and received into the record.

25 (KCPL/GPE EXHIBIT NOS. 11 AND 12 WERE

1 RECEIVED INTO EVIDENCE.)

2 JUDGE STEARLEY: We're almost straight up
3 on noon, so why don't we all break for lunch at this time.
4 We will resume at approximately 1:15.

5 (A BREAK WAS TAKEN.)

6 JUDGE STEARLEY: We are back on the record.
7 One short announcement before we pick up with the hearing.
8 Commissioner Gunn has asked me to convey to the parties
9 that he's anxiously anticipating hearing if there are
10 going to be any objections to his active participation in
11 this matter and would prefer to hear those objections
12 sooner as opposed to later.

13 So I don't know, Mr. Mills or Mr. Conrad,
14 if you have intention on filing anything soon or not, but
15 I did want to convey that message from the Commissioner to
16 you.

17 MR. MILLS: Thank you.

18 MR. THOMPSON: None from Staff, your Honor.

19 JUDGE STEARLEY: Thank you, Mr. Thompson.

20 MR. CONRAD: So noted.

21 JUDGE STEARLEY: With that, we will pick up
22 with KCPL's next witness.

23 MR. BLANC: Great Plains Energy and Kansas
24 City Power & Light call Bob Steinke.

25 (Witness sworn.)

1 JUDGE STEARLEY: You may proceed.

2 MR. BLANC: Thank you, your Honor.

3 ROBERT F. STEINKE testified as follows:

4 DIRECT EXAMINATION BY MR. BLANC:

5 Q. Mr. Steinke, did you cause to be filed
6 supplemental direct testimony in this proceeding?

7 A. Yes, I did.

8 Q. Do you have a copy of that with you?

9 A. Yes, I do.

10 Q. Do you have any corrections to make to that
11 testimony?

12 A. You know, I was going through my testimony
13 and I did find one typographical error, and if we look at
14 page 4, I believe it is, line 19, the words say KCP&L will
15 be restored, and the word be should be stricken.

16 MR. BLANC: Thank you. With that, I tender
17 him for cross-examination and questions from the Bench.

18 JUDGE STEARLEY: Very well. And as I've
19 been doing today for the conservation of time, are there
20 any other parties other than Ag Processing, Public Counsel
21 or Staff that wishes to cross-examine this witness?

22 MS. WILLIAMS: No, your Honor.

23 JUDGE STEARLEY: Hearing none, Ag
24 Processing, Mr. Conrad?

25 MR. CONRAD: Thank you, your Honor. We do

1 not have questions for this gentleman on his prefiled. I
2 will at the appropriate time have the same routine we've
3 done before.

4 JUDGE STEARLEY: Thank you, Mr. Conrad.
5 Mr. Mills?

6 MR. MILLS: No questions.

7 JUDGE STEARLEY: Mr. Thompson?

8 MR. THOMPSON: Thank you, your Honor.

9 CROSS-EXAMINATION BY MR. THOMPSON:

10 Q. Mr. Steinke, how do you pronounce your
11 name, Steinke?

12 A. Steinke is just fine.

13 Q. Steinke will work. Okay. I apologize for
14 that.

15 A. That's quite all right.

16 Q. You are a consultant; is that correct?

17 A. That's correct.

18 Q. And you were compensated for your work in
19 this matter?

20 A. Yes.

21 Q. Do you know how much compensation you've
22 received to date?

23 A. Yes. I do get paid through Bridge
24 Strategies, and I haven't totaled everything up, but I get
25 the rate of about 160 an hour.

1 Q. Do you think that your compensation in this
2 matter has exceeded \$100,000?

3 A. It's close to that, but again, I haven't
4 totaled it all up in this particular case.

5 MR. THOMPSON: Thank you, sir. No further
6 questions, your Honor.

7 JUDGE STEARLEY: Well, I have no questions
8 for you, Mr. Steinke, and no one else is on the Bench with
9 me at this moment, so there will be no recross. Do we
10 have any redirect?

11 MR. BLANC: No, your Honor.

12 JUDGE STEARLEY: We have another speedy
13 witness. Thank you for your appearance, Mr. Steinke, as
14 limited as it's been. I will not, however, finally excuse
15 you, as I've been doing with the other witnesses, just in
16 case the Commissioners should have some questions for you.

17 THE WITNESS: Sure. I'll be available.

18 MR. BLANC: Your Honor, that is his only
19 scheduled appearance based on his prefiled testimony. So
20 at this time I'd like to move for the admission of
21 Exhibit 26, his supplemental direct testimony.

22 JUDGE STEARLEY: And any objections to the
23 admission of Exhibit No. 26?

24 MR. CONRAD: Yes. And those objections
25 have been indicated in our motion in limine of November 28

1 on page 7, Judge, and they're short. I can read them, but
2 I will leave it to your discretion. The basis therefore
3 would be as contained in the then and subsequent motion as
4 well as the verbal material that I have presented earlier.

5 JUDGE STEARLEY: Thank you, Mr. Conrad.
6 There's no need to read it. I've got the document before
7 me. And in keeping with our rulings, we will rule on the
8 objection the same as we've had and overrule it.

9 Are there any other objections to the
10 admission of Exhibit No. 26?

11 (No response.)

12 JUDGE STEARLEY: Hearing none, it shall be
13 admitted and received into evidence.

14 (KCPL EXHIBIT NO. 26 WAS MARKED FOR
15 IDENTIFICATION AND RECEIVED INTO EVIDENCE.)

16 JUDGE STEARLEY: And you may call your next
17 witness, counsel.

18 MR. STEINER: GPE and KCPL call Charles
19 Tickles.

20 (Witness sworn.)

21 JUDGE STEARLEY: You may proceed.

22 CHARLES TICKLES testified as follows:

23 DIRECT EXAMINATION BY MR. STEINER:

24 Q. Mr. Tickles, did you file supplemental
25 direct testimony that's been marked as Exhibit 27 in this

1 proceeding?

2 A. Yes, I did.

3 Q. Do you have any changes to that testimony?

4 A. Yes, I do. Just one. Since the filing of
5 this, I have been named vice president of information
6 technology. So on page 1 where it's referred to my title
7 as senior director of information technology, that should
8 be changed to vice president of information technology.
9 On page 2, again, it's referenced that my current title is
10 senior director of information technology. It should be
11 changed that in 2007 I was named vice president of
12 information technology. And that is all.

13 MR. STEINER: Thank you. With that, I
14 tender the witness for cross and questions from the Bench.

15 JUDGE STEARLEY: And as last time, are
16 there any other parties which would like to cross-examine
17 Mr. Tickles, other than Ag Processing, Public Counsel or
18 Staff?

19 MS. WILLIAMS: The unions have no
20 questions.

21 JUDGE STEARLEY: Hearing none. Mr. Conrad?

22 CROSS-EXAMINATION BY MR. CONRAD:

23 Q. Good afternoon, Mr. Tickles. I
24 congratulate you on your new office. I just have one
25 question.

1 A. Thank you.

2 Q. Would you agree with me that Unix is the
3 operating system of the future and always will be?

4 A. No, I would not.

5 MR. CONRAD: Okay. Your Honor, I will have
6 no further questions for the witness. I won't pursue that
7 point further, regardless of the colors and flavors of
8 said operating system. I will have an objection to the
9 testimony at the appropriate time.

10 JUDGE STEARLEY: Thank you, Mr. Conrad.
11 Public Counsel?

12 MR. MILLS: No questions.

13 JUDGE STEARLEY: Mr. Thompson, Staff?

14 MR. THOMPSON: Thank you, your Honor.

15 CROSS-EXAMINATION BY MR. THOMPSON:

16 Q. Mr. Tickles, you are in charge of the IT
17 department at Kansas City Power & Light?

18 A. Yes, I am.

19 Q. If you know, is there a similar department
20 at Aquila?

21 A. Yes, there is.

22 Q. Do you know if any of the Aquila employees
23 in their IT department will lose their jobs as a result of
24 this merger?

25 A. The answer to that is I believe yes.

1 Q. Do you know how many?

2 A. No, I do not.

3 MR. THOMPSON: No further questions, your
4 Honor. Thank you, sir.

5 JUDGE STEARLEY: All right. And we have no
6 questions from the Bench, no recross. We're back to
7 redirect.

8 MR. STEINER: Nothing, your Honor.

9 JUDGE STEARLEY: Does Mr. Tickles provide
10 additional testimony?

11 MR. STEINER: No, he's not, and I would
12 move for the admission of Exhibit 27.

13 JUDGE STEARLEY: Are there any objections
14 to the admission of Exhibit 27?

15 MR. CONRAD: Yes, there is, previously
16 announced. And those objections would be directed to the
17 portions of the gentleman's testimony that are found also
18 on page 7 of our motion of the 28th of November. As
19 before, I'll be happy to read that, but if your Honor
20 wishes to dispense with that, the basis for that objection
21 would be the same as stated in that motion and the
22 following motion as well as what I have supplemented
23 verbally yesterday and today.

24 JUDGE STEARLEY: All right. Very well.
25 Thank you, Mr. Conrad. And keeping in conformity, we will

1 overrule the objection.

2 Are there any other objections?

3 (No response.)

4 JUDGE STEARLEY: Very well. Exhibit No. 27
5 is hereby admitted and received into the record.

6 (KCPL EXHIBIT NO. 27 WAS MARKED AND
7 RECEIVED INTO EVIDENCE.)

8 JUDGE STEARLEY: And you, too, Mr. Tickles,
9 may step down, although you're not finally excused as a
10 witness at this time.

11 That concludes my list of witnesses for the
12 day. I know Mr. Steiner had brought up that
13 Mr. Herdegen --

14 MR. STEINER: I talked to Mr. Dottheim
15 afterward, and I believe Staff would like to wait until
16 the 28th, and that's fine.

17 JUDGE STEARLEY: Very well. Are there any
18 other witnesses here that counsel would like to address
19 today?

20 MR. THOMPSON: I think we can take up
21 Mr. Rush today.

22 MR. FISCHER: Judge, we can make Mr. Rush
23 available if that would work for the parties. He's on
24 allocations.

25 MR. CONRAD: I do not have a problem with

1 that, your Honor.

2 JUDGE STEARLEY: Anyone have any objections
3 to hearing Mr. Rush?

4 MR. CONRAD: I have no objection to that.
5 I had mentioned to your Honor earlier, and for the benefit
6 of the other parties, I do expect to have our witness
7 Mr. Brubaker here tomorrow. I was querying the Bench as
8 to any insight whether he needed to be here early in the
9 morning or mid morning or whatever. So if Rush was ahead
10 of him, that would perhaps make it earlier. That was the
11 question, whether he comes down tonight or tomorrow
12 morning. If we're having an 8:30 start, it makes it a
13 fairly early day out of St. Louis.

14 JUDGE STEARLEY: Are you wanting a later
15 start time?

16 MR. CONRAD: Well, no. That's your
17 bailiwick, Judge Stearley.

18 JUDGE STEARLEY: I just wanted to make
19 sure. We can, of course, rearrange the witness schedule
20 to make sure we accommodate Mr. Brubaker.

21 MR. CONRAD: I would like to be able to get
22 him on and off tomorrow.

23 JUDGE STEARLEY: And I see no reason for
24 him to come any earlier than tomorrow morning.

25 MR. FISCHER: Judge, I'm also told that we

1 can take Mr. Bryant on customer programs today if you'd
2 like to do that, to move it along.

3 JUDGE STEARLEY: All right. Are there any
4 objections to hearing Mr. Bryant today as well?

5 MR. CONRAD: We would have none.

6 MR. THOMPSON: I would suggest we start
7 with him.

8 MR. MILLS: And Judge, while we're talking
9 about witnesses, I have inquired of the parties whether
10 there is going to be any cross-examination for
11 Mr. Dittmer. So far the only parties I've heard back from
12 have said they have no cross for Mr. Dittmer. If there
13 are questions from other parties, I certainly will bring
14 him in. If there are questions from the Bench, I'll bring
15 him in. But if there are no cross-examination questions
16 and no questions from the Bench, I'd just as soon save the
17 expense of having him drive from Kansas City.

18 MR. FISCHER: We do expect to have some
19 questions for Jim.

20 MR. MILLS: That solves that. Should we
21 plan on him as well tomorrow? He's scheduled for
22 tomorrow.

23 JUDGE STEARLEY: Yes.

24 MR. MILLS: I'll have him come in.

25 JUDGE STEARLEY: And with regard to

1 Mr. Rush and Mr. Bryant, I'm going to have a ten-minute
2 recess at this time and I can advise the Commissioners of
3 our change in the witness list, and we will pick back up
4 on the record at that time. The parties are wanting to
5 start with Mr. Bryant, am I --

6 MR. THOMPSON: I am cross-examining
7 Mr. Bryant; whereas, Mr. Rush it's someone else who I'd
8 have to go get.

9 MR. FISCHER: He's next on the list, too.

10 JUDGE STEARLEY: We're off the record for a
11 ten-minute break.

12 (A BREAK WAS TAKEN.)

13 JUDGE STEARLEY: We are back on the record,
14 and we will resume with GPE/KCPL's next witness.

15 MR. BLANC: Great Plains Energy and Kansas
16 City Power & Light call Kevin Bryant.

17 (Witness sworn.)

18 JUDGE STEARLEY: You may be seated, and you
19 may proceed.

20 MR. BLANC: Thank you, your Honor.

21 KEVIN BRYANT testified as follows:

22 DIRECT EXAMINATION BY MR. BLANC:

23 Q. Mr. Bryant, did you cause to be filed in
24 this proceeding direct and supplemental direct testimony?

25 A. I did.

1 Q. Do you have copies of that testimony with
2 you today?

3 A. I do.

4 Q. Do you have any corrections to make to that
5 testimony?

6 A. I do not.

7 MR. BLANC: Thank you. I tender the
8 witness for cross-examination and questions from the
9 Bench.

10 JUDGE STEARLEY: In keeping with the way
11 we've been running things all day today, are there any
12 other parties other than Ag Processing, Office of Public
13 Counsel and Staff that would have any cross-examination
14 for this witness?

15 MS. WILLIAMS: The unions do not, your
16 Honor.

17 JUDGE STEARLEY: Thank you, Ms. Williams.
18 Ag Processing?

19 MR. CONRAD: And on the assumption, your
20 Honor, that this gentleman does not have a position he
21 wishes to take with respect to Unix, we will not have
22 questions for him, but I will at the appropriate time have
23 an objection to the admission of certain portions of his
24 testimony.

25 JUDGE STEARLEY: Thank you, Mr. Conrad.

1 Mr. Mills?

2 MR. MILLS: No questions.

3 JUDGE STEARLEY: Staff, any cross?

4 MR. THOMPSON: Thank you, your Honor.

5 CROSS-EXAMINATION BY MR. THOMPSON:

6 Q. Who are you employed by, sir?

7 A. Kansas City Power & Light.

8 Q. And what's your title?

9 A. Vice President of Energy Solutions.

10 Q. And as Vice President of Energy Solutions,
11 are you in charge of customer programs?

12 A. Yes, I am.

13 Q. And do you know if Aquila has a similar
14 position?

15 A. Aquila does have a gentleman in a similar
16 position.

17 Q. And Aquila has customer programs?

18 A. Aquila does have customer programs.

19 Q. And Aquila has employees that are employed
20 to implement those customer programs?

21 A. Yes.

22 Q. If you know, if this transaction is
23 approved, how many employees will lose their jobs?

24 A. In my area?

25 Q. Yes, sir.

1 A. None that I'm aware of.

2 Q. How about in the corresponding area of
3 Aquila?

4 A. In my area?

5 Q. Yes, sir.

6 A. None that I'm aware of.

7 MR. THOMPSON: Very good. Thank you. No
8 further questions.

9 THE WITNESS: Thank you.

10 JUDGE STEARLEY: All right. Commissioner
11 Murray, we've kind of rapidly been going through here.
12 Are you ready for any questions for Mr. Bryant?

13 COMMISSIONER MURRAY: I don't. Thank you.

14 JUDGE STEARLEY: Any redirect?

15 MR. BLANC: No, your Honor.

16 JUDGE STEARLEY: All right. Mr. Bryant,
17 keeping in form here with our last two witnesses that have
18 been very speedy, I'd like to thank you for your
19 testimony. You may step down at this time. However, I am
20 not finally excusing you just in case the Commission would
21 like to inquire of you further.

22 THE WITNESS: Thank you.

23 JUDGE STEARLEY: All right. Thank you.

24 MR. BLANC: And your Honor, this is his
25 only scheduled appearance on his prefiled testimony, so

1 I'd move for the admission of Exhibit 4 and Exhibit 5.

2 JUDGE STEARLEY: And are there any
3 objections to the admission of Exhibits No. 4 and 5?

4 MR. CONRAD: Yes, sir. And on the same
5 basis that we have been doing so before and stated in our
6 two motions in limine, the segments of Mr. Bryant's
7 testimony, his direct testimony, Exhibit 4, that we would
8 object to you receiving are laid out on page 4 of that
9 November 28 motion, and the portions of his supplemental
10 direct, Exhibit 5, to which we would object are laid out
11 on page 6 of that motion.

12 And I will be happy, as your Honor directs,
13 to read those. Particularly on the direct there's a
14 fairly long list, and it might be more expeditious to
15 simply refer those as though read.

16 JUDGE STEARLEY: Thank you, Mr. Conrad. I
17 do have your motion before me and there is no need for you
18 to read the listing there. And as we've done consistently
19 throughout, we will overrule the objection.

20 Are there any other objections to the
21 admission of Exhibits No. 4 and 5?

22 (No response.)

23 JUDGE STEARLEY: Hearing none, they shall
24 be admitted and received into evidence.

25 (KCPL EXHIBIT NOS. 4 AND 5 WERE MARKED FOR

1 IDENTIFICATION AND RECEIVED INTO EVIDENCE.)

2 JUDGE STEARLEY: And you may call your next
3 witness, counsel.

4 MR. BLANC: Great Plains Energy and Kansas
5 City Power & Light call Tim Rush.

6 (Witness sworn.)

7 (KCPL EXHIBIT NO. 23 WAS MARKED FOR
8 IDENTIFICATION BY THE REPORTER.)

9 JUDGE STEARLEY: You may be seated. And
10 you may proceed, counsel.

11 MR. BLANC: Thank you, your Honor.

12 TIMOTHY RUSH testified as follows:

13 DIRECT EXAMINATION BY MR. BLANC:

14 Q. Mr. Rush, did you cause to be filed in this
15 proceeding supplemental direct testimony?

16 A. I did.

17 Q. Do you have a copy of that before you?

18 A. I do.

19 Q. Do you have any corrections to make to it?

20 A. No I do not.

21 MR. BLANC: Your Honor, I tender him for
22 cross-examination and questions from the Bench.

23 JUDGE STEARLEY: And once again --

24 MS. WILLIAMS: Nothing, your Honor.

25 MR. CONRAD: No questions.

1 JUDGE STEARLEY: None from the locals. Ag
2 Processing?

3 MR. CONRAD: No questions.

4 JUDGE STEARLEY: Public counsel?

5 MR. MILLS: No questions.

6 JUDGE STEARLEY: Staff?

7 MS. KLIETHERMES: Just briefly.

8 CROSS-EXAMINATION BY MS. KLIETHERMES:

9 Q. If I could direct your attention to your
10 Schedule TMR-1.

11 A. All right.

12 Q. Towards the bottom I see a line labeled
13 transition cost allocation. Do you see that as well?

14 A. Yes, I do.

15 Q. Are you requesting in this case Commission
16 approve of what you have identified as those factors?

17 A. As Mr. Giles talked about earlier this
18 morning, yes, we are requesting that the allocation
19 process and the procedure that we defined in his testimony
20 be approved. I'm not the one personally asking for
21 approval or I didn't in my testimony. He did. And he
22 defined how that would be adjusted by megawatt hour sales
23 in future cases. So there's a process that we've defined.

24 MS. KLIETHERMES: Thank you.

25 JUDGE STEARLEY: Commissioner Murray, any

1 questions for Mr. Rush?

2 COMMISSIONER MURRAY: I don't believe I do.

3 Thank you.

4 JUDGE STEARLEY: Well, there being no
5 recross, being no questions from the Bench, any direct?

6 MR. BLANC: No, your Honor.

7 JUDGE STEARLEY: All right. And once
8 again, we're rapidly burning up our witness list. Thank
9 you, Mr. Rush, for your testimony. As I previously
10 stated, you will not be finally excused at this time in
11 case there should be further questions for you. Thank
12 you.

13 Is this also Mr. Rush's only scheduled
14 appearance?

15 MR. BLANC: No, your Honor. I believe he's
16 scheduled to testify again on subsequent issues.

17 JUDGE STEARLEY: So we'll be holding his
18 testimony until that time.

19 MR. BLANC: Yes, your Honor.

20 JUDGE STEARLEY: Very well. Well, unless
21 the parties have scrounged up any more witnesses for
22 today, it looks like we've concluded with our schedule.

23 MR. CONRAD: We can go out on the street if
24 you'd like.

25 JUDGE STEARLEY: Well, that might be

1 entertaining, Mr. Conrad. Are there any other matters we
2 need address at this time?

3 MR. MILLS: Just briefly, your Honor. As
4 we discussed, I believe it was off the record earlier, I
5 will plan to bring Mr. Dittmer in for cross-examination
6 tomorrow, and it's my understanding that he will stand
7 cross on all of his testimony. He is listed later in the
8 Staff's filed document as appearing on April 28 to talk
9 about amortizations.

10 JUDGE STEARLEY: I also had him on the 24th
11 about transaction cost recovery.

12 MR. MILLS: Right. And it's my
13 understanding that he was going to be here either the 23rd
14 or the 24th to stand cross on all of his issues, and it
15 looks as, at the rate we're going, it looks as though it
16 will be the 23rd.

17 JUDGE STEARLEY: Are there any objections
18 from the parties?

19 MR. FISCHER: Judge, we have no objection.
20 We think it makes sense to take these witnesses that way,
21 that witness.

22 MR. CONRAD: No objection.

23 JUDGE STEARLEY: So my current witness list
24 for tomorrow would be Spring, Van Dyne, Wright, Brubaker,
25 Dittmer and Schallenberg.

1 Okay. Very good. If there's nothing else
2 we need to address today, we will stand adjourned until
3 tomorrow morning at 8:30.

4 WHEREUPON, the hearing of this case was
5 recessed until April 24, 2008.

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KCPL'S EVIDENCE:

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TIMOTHY RUSH

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Direct Examination by Mr. Blanc

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1 C E R T I F I C A T E

2 STATE OF MISSOURI)
3 COUNTY OF COLE) ss.

4 I, Kellene K. Feddersen, Certified
5 Shorthand Reporter with the firm of Midwest Litigation
6 Services, and Notary Public within and for the State of
7 Missouri, do hereby certify that I was personally present
8 at the proceedings had in the above-entitled cause at the
9 time and place set forth in the caption sheet thereof;
10 that I then and there took down in Stenotype the
11 proceedings had; and that the foregoing is a full, true
12 and correct transcript of such Stenotype notes so made at
13 such time and place.

14 Given at my office in the City of
15 Jefferson, County of Cole, State of Missouri.

16

17 Kellene K. Feddersen, RPR, CSR, CCR
18 Notary Public (County of Cole)
My commission expires March 28, 2009.

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