

1 STATE OF MISSOURI
2 PUBLIC SERVICE COMMISSION
3 TRANSCRIPT OF PROCEEDINGS
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7 Evidentiary Hearing
8 April 28, 2008
9 Jefferson City, Missouri
Volume 17
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12 In the Matter of the Joint)
Application of Great Plains Energy)
13 Incorporated, Kansas City Power &)
Light Company, and Aquila, Inc.,) Case No. EM-2007-0374
14 for Approval of the Merger of)
Aquila, Inc., with a Subsidiary of)
15 Great Plains Energy Incorporated)
And for Other Related Relief)
16

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18 HAROLD STEARLEY, Presiding,
REGULATORY LAW JUDGE

19 CONNIE MURRAY,
20 TERRY JARRETT,
COMMISSIONERS.

21

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

2 JUDGE STEARLEY: Good morning. It's
3 Monday, April 28, 2008. We're back on the record with
4 Case No. EM-2007-0374, taking up a couple preliminary
5 matters before we get started this morning. My usual
6 caution to -- for all the people in the room to please
7 have their Blackberries, cell phones and other electronic
8 devices shut off so that we will not have any interference
9 with our recording and webcasting.

10 Other than that, I wanted to briefly run
11 through the order of issues and our witness list this
12 morning. We have had some shifting around. I want to
13 make sure I'm on the same page with the parties. To
14 accommodate the Kansas City witnesses, we will be taking
15 up the municipal franchise issue with Cauthen and
16 Marshall, quality of service and earnings sharing
17 mechanism with Hix and Marshall, future rate case, Hix and
18 Marshall, service quality, Herdegen and Schallenberg, and
19 merger synergy savings with Herdegen, and providing if we
20 have time, we will make it to the creditworthiness issue
21 today as well. Are we all on the same page?

22 All right. Very good. Are there any other
23 preliminary matters I need to address before we begin
24 calling witnesses?

25 MR. CONRAD: Just simply to clarify, your

1 Honor, for reasons that I would hope by now would be
2 obvious, I have asked and the Bench has acknowledged a
3 continuing objection on our part to issues that pertain to
4 the combination of KCPL and Aquila. I just -- since we're
5 starting a new week here and it's Monday, I'd just like to
6 reconfirm that that continues to be the Bench's position
7 and the other parties.

8 JUDGE STEARLEY: It does, Mr. Conrad, and
9 thank you for reminding us of that, and I assume we'll get
10 the customary objections on those testimonies as they're
11 offered.

12 MR. CONRAD: Yes, sir, as to the Great
13 Plains/KCPL joint applicants' testimony. The other
14 testimony follows on that, so that's the nature of the
15 continuing objection.

16 JUDGE STEARLEY: Right. Very good. Any
17 other preliminary matters? Okay, hearing none, Kansas
18 City may call its first witness.

19 MR. COMLEY: Thank you, Judge Stearley.
20 May it please the Commission? The City of Kansas City
21 would call Mr. Wayne A. Cauthen. And while he is coming
22 to the stand, I do have other exhibits that are part of
23 the presentation for the city today, including his own
24 testimony, and I will be distributing those if you don't
25 mind. Just take a minute to do that.

1 JUDGE STEARLEY: Certainly. Mr. Comley,
2 are these ones that are already premarked?

3 MR. COMLEY: Yes, your Honor. The
4 testimony of Wayne Cauthen was premarked as Exhibit 400.
5 While I'm here, I also offered to the reporter
6 Exhibit 401, the rebuttal testimony of Robert Hix. The
7 next exhibit is Exhibit 403, which is an ordinance of the
8 city of Kansas City pertaining to a franchise for Kansas
9 City Power & Light, and the last of our premarked Exhibits
10 is Exhibit 403, which is an ordinance of the city of
11 Kansas City under certificate of the deputy clerk
12 pertaining to the Aquila franchise.

13 (EXHIBIT NOS. 400, 401, 402 AND 403 WERE
14 MARKED FOR IDENTIFICATION.)

15 MR. COMLEY: Thank you.

16 (Witness sworn.)

17 JUDGE STEARLEY: Mr. Comley, you may
18 proceed.

19 WAYNE CAUTHEN testified as follows:

20 DIRECT EXAMINATION BY MR. COMLEY:

21 Q. Mr. Cauthen, would you state your full name
22 for the Commission, please.

23 A. Wayne Alex Cauthen.

24 Q. By whom are you employed?

25 A. City of Kansas City, Missouri.

1 Q. And how are you occupied or retained by the
2 City of Kansas City?

3 A. I'm the city manager.

4 Q. Mr. Cauthen, are you the same William
5 Cauthen -- Wayne Cauthen, excuse me, that caused to be
6 filed in this proceeding a set of written testimony which
7 has been marked by the reporter as Exhibit 400?

8 A. Yes.

9 Q. Mr. Cauthen, if I were to ask you those
10 questions that are propounded in that testimony, would
11 your answers today be the same and be part of your sworn
12 testimony before the Commission?

13 A. Yes.

14 MR. COMLEY: Your Honor, based upon that
15 and based upon the fact that Mr. Cauthen's testimony is
16 devoted to a single issue, I would move for the admission
17 of Exhibit 400.

18 JUDGE STEARLEY: All right. Any objections
19 to the admission of Exhibit No. 400?

20 (No response.)

21 JUDGE STEARLEY: Hearing none, it shall be
22 received and admitted into evidence.

23 (EXHIBIT NO. 400 WAS RECEIVED INTO
24 EVIDENCE.)

25 MR. COMLEY: And before he is tendered for

1 cross-examination, the parties have been distributed two
2 other documents under certificate of the city clerk,
3 Exhibit 403 and Exhibit 402, and they pertain to the
4 franchise issue that is discussed in Mr. Cauthen's
5 testimony, and I would offer them into evidence at this
6 time on the basis of their certificates.

7 JUDGE STEARLEY: Any objections to the
8 admission of Exhibits 402 or 403?

9 MR. CONRAD: Now I am confused. 403,
10 counsel, you indicated is the franchise ordinance for
11 Aquila?

12 MR. COMLEY: That's my understanding.

13 MR. CONRAD: And it's ordinance 21706, and
14 in this packet is another ordinance 33212 and handwritten
15 old style ordinance.

16 MR. COMLEY: I think that would be --
17 that's 402.

18 MR. CONRAD: So this packet, counsel, has
19 two exhibits in it?

20 MR. COMLEY: I'm sorry, Stu. There should
21 be two exhibits. There's two certificates, one pertaining
22 to ordinance 21706, and the other for ordinance No. 60167
23 as amended. If you'd like that exhibit, I have an extra
24 copy.

25 MR. CONRAD: I guess I don't have the

1 latter one. The only one I have is the 21706. I'm sorry.
2 I didn't mean to derail your -- thank you.

3 JUDGE STEARLEY: Any objections to the
4 offering of Exhibits 402 and 403?

5 (No response.)

6 JUDGE STEARLEY: Hearing none, they shall
7 be received and admitted into evidence.

8 (EXHIBIT NOS. 402 AND 403 WERE RECEIVED
9 INTO EVIDENCE.)

10 MR. COMLEY: Thank you, Judge. I tender
11 Mr. Cauthen for cross-examination. Let me add, although I
12 did the direct for Mr. Cauthen this morning, Mr. Gifford,
13 co-counsel, will be defending him on cross-examination.

14 JUDGE STEARLEY: Thank you, Mr. Comley.
15 Cross-examination, South Harper residents? Cass County?

16 MR. COMLEY: There is no Cass County cross.

17 JUDGE STEARLEY: City of Independence?
18 City of Lee's Summit? City of St. Joseph? The joint
19 municipals? Dogwood Energy? And let me remind the
20 parties at this time that while we do have a liberal
21 attendance policy here, those parties who are not present
22 for the examination of the witness will be considered to
23 have waived examination of that witness.

24 Cross-examination, Ag Processing?

25 MR. CONRAD: We do not have questions of

1 Mr. Cauthen on this issue.

2 JUDGE STEARLEY: Thank you, Mr. Conrad.

3 Public Counsel?

4 MR. MILLS: No questions.

5 JUDGE STEARLEY: Mr. Mills. Staff?

6 MR. DOTTHEIM: No questions.

7 JUDGE STEARLEY: IBEW locals?

8 MS. WILLIAMS: The unions have no

9 questions.

10 JUDGE STEARLEY: Black Hills?

11 MR. DeFORD: No questions. Thank you.

12 JUDGE STEARLEY: GPE?

13 MR. STEINER: Yes, your Honor.

14 JUDGE STEARLEY: Please proceed,

15 Mr. Steiner.

16 CROSS-EXAMINATION BY MR. STEINER:

17 Q. Good morning, Mr. Cauthen.

18 A. Good morning.

19 Q. I'm Roger Steiner. I represent Great

20 Plains Energy and KCPL in this matter.

21 In your testimony you indicated that your

22 office includes the City's Office of Environmental

23 Quality; is that correct?

24 A. Yes, it is.

25 Q. Does the City have a climate change

1 initiative?

2 A. Yes, it does.

3 Q. Has KCPL supported this initiative?

4 A. Yes, it has.

5 Q. How has it supported this initiative?

6 A. Providing technical resources, working with
7 us with 10,000 Light Program, things of that sort.

8 Q. Is that the Million Lights Program?

9 A. Million Lights, right.

10 Q. And what has KCP&L done to support that
11 initiative?

12 A. We worked together, my -- Dennis Murphy, my
13 environmental manager, has worked with the staff of Kansas
14 City Power & Light on those various programs.

15 Q. Would you say that KCPL has cooperated with
16 the City in those programs?

17 A. Yes.

18 Q. What other things is Kansas City Power &
19 Light doing with regard to the climate change initiative?

20 A. Well, they're doing that. They're also
21 doing weatherization programs, things of that sort with
22 the City of Kansas City. Dennis Murphy will probably be a
23 little bit more up to all the things that they're doing
24 with us, but I do know that they're working with us.

25 Q. Now, you also indicated your office

1 includes the emergency management office; is that correct?

2 A. That's correct.

3 Q. Did KCPL pay for a joint emergency response
4 drill using a national consultant where a terrorist attack
5 on the city's electric infrastructure was simulated?

6 MR. MILLS: Judge, can I ask a clarifying
7 question? It was my understanding we were dealing with
8 the municipal franchise issue first; is that correct?

9 JUDGE STEARLEY: That's correct.

10 MR. MILLS: Well, then I think I'm going to
11 have to object to these questions as being beyond the
12 scope of that issue.

13 JUDGE STEARLEY: Mr. Steiner?

14 MR. STEINER: Well, Mr. Cauthen's testimony
15 indicates that in certain areas he has not been pleased
16 with the responsiveness of Kansas City Power & Light and
17 that it is not acting as a good utility, and so I'm trying
18 to establish what areas Kansas City Power & Light is being
19 responsive to the City. So I think it is relevant to
20 specific things that are mentioned in his testimony.

21 MR. CONRAD: I'd add that the question is
22 leading and suggestive.

23 JUDGE STEARLEY: I'm sorry, Mr. Conrad?

24 MR. CONRAD: The question asked is objected
25 to from us on the basis that it is leading and suggestive.

1 JUDGE STEARLEY: Well, Mr. Steiner, perhaps
2 you can rephrase. I will allow some more questioning on
3 these issues and give you an opportunity to develop this a
4 little bit more.

5 BY MR. STEINER:

6 Q. In your work as -- in your office, you
7 indicated there was an emergency management office; is
8 that correct?

9 A. Yes.

10 Q. What kinds of things does the emergency
11 management office supervise?

12 A. Well, basically homeland security issues,
13 any type of major issues that may have come about that's
14 an emergency of nature.

15 Q. Does KCPL cooperate with the City in its
16 emergency management --

17 A. Yes.

18 Q. -- issues?

19 A. Yes.

20 MR. CONRAD: Lack of foundation. I object
21 on the basis I don't know what cooperate means.

22 MR. STEINER: I can see where you wouldn't,
23 Mr. Conrad.

24 MR. CONRAD: I'd ask that that remark be
25 stricken from the record.

1 JUDGE STEARLEY: The remark shall be
2 stricken. Your response, Mr. Steiner?

3 MR. STEINER: Cooperation simply means that
4 KCPL would be responding to the City's request for
5 assistance and offering suggestions to help the City in
6 carrying out its duties.

7 JUDGE STEARLEY: Mr. Cauthen, you may
8 answer the question.

9 THE WITNESS: That's correct, that when we
10 open up our emergency management office, Kansas City Power
11 & Light is one of the agencies that -- that's part of the
12 team.

13 BY MR. STEINER:

14 Q. So tell me about the emergency management
15 office.

16 A. Emergency management office is one of those
17 offices you really don't like to use, but when we need --
18 when we have emergencies, we have an office that basically
19 is staffed by technical people from all over the city,
20 along with our utilities, Red Cross, various hospitals,
21 regional transportation district and things of that sort.

22 Q. So you mentioned it was staffed by
23 utilities; is that correct?

24 A. Yes.

25 Q. And is part of that staffed by a KCPL

1 employee?

2 A. Yes.

3 Q. And does that emergency management office

4 conduct joint emergency response drills?

5 A. They do have training periodically.

6 Q. Was KCPL involved in that training by

7 providing support through a national consultant?

8 A. Yes.

9 Q. Does that office coordinate the use of

10 security cameras throughout the city?

11 A. One of the offices that does, yes.

12 Q. Did the City ask KCPL to work with it to

13 allow security cameras to be installed on KCPL utility

14 facilities?

15 A. Yes.

16 Q. Did KCPL cooperate with that effort?

17 A. Yes.

18 Q. Another part of your office, according to

19 your testimony, is the Efficiency Strategies and Capital

20 Improvements Management Office; is that correct?

21 A. Yes.

22 Q. What does that office do?

23 A. It manages capital construction projects

24 throughout the City.

25 Q. Does it -- the efficiency strategies

1 portion, does that deal with the efficient use of existing
2 city buildings?

3 A. No.

4 Q. Are you receiving cooperation from KCPL in
5 the efficient use of -- efficient management of
6 construction projects?

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

8 Q. Well, what exactly does the Capital
9 Improvements Management Office do?

10 A. They manage construction projects, any type
11 of -- they was the ones that built the infrastructure for
12 the Entertainment District and the new arena downtown,
13 police academy and things of that sort.

14 Q. Would that -- would personnel employed in
15 that department be involved in building operator
16 certification programs?

17 A. When you say operator certification
18 programs, I don't understand.

19 Q. That's a program where facility managers
20 are trained in energy management for their buildings.

21 A. That office wouldn't do that. That would
22 be more or less my general services office.

23 Q. Are you familiar with those activities in
24 your general service office?

25 A. Yes.

1 Q. Do city employees participate in KCPL's
2 building operator certification program?

3 A. I think so.

4 Q. Your office also includes the office of
5 management and budget; is that correct?

6 A. That's correct.

7 Q. What would that office be involved in?

8 A. That's my budget office. That's the office
9 that basically prepares the budget and manages the budget
10 for the City.

11 Q. Is that office concerned with energy
12 efficiency?

13 A. No.

14 Q. Which office would that be?

15 A. General services. We had some
16 reorganizations. General services is basically the agency
17 that takes care of our office buildings and things of that
18 sort.

19 Q. In conjunction with that, would that office
20 be involved with the energy efficiency of Kansas City's
21 fountains?

22 A. That would be the water department.

23 Q. Do you supervise that department?

24 A. Yes, I do. Let me repeat that. The water
25 department provides the water for the fountains. Parks

1 and Recreations are responsible for the fountains and
2 Parks and Recreation -- Parks and Recreation is one of the
3 agencies that I do not appoint the director of. It's the
4 Parks Commission.

5 Q. So the pumps in the fountains, would that
6 be the water department?

7 A. That would be Parks and Recreation.

8 Q. That would be Parks. Mr. Cauthen, do you
9 know if city employees, specifically Bob Jackson, are
10 involved with the Customer Program Advisory Group?

11 A. Bob Jackson's a person that's involved in
12 our weatherization program. I know that. I don't know
13 whether or not he's involved with that particular group.

14 Q. And when you say weatherization, what do
15 you mean by that?

16 A. Basically providing energy efficient type
17 products for the low-income portions of our city.

18 Q. Do you believe KCPL has worked with the
19 City on the weatherization program?

20 A. Yes.

21 Q. Are you satisfied with KCPL's work on the
22 weatherization program?

23 A. I think they've done a good job, yes.

24 Q. Now, as I understand your testimony,
25 Mr. Cauthen, your position is that you are in favor of the

1 merger provided that it's conditioned upon the negotiation
2 of a single franchise; is that correct?

3 A. That's correct.

4 Q. Who would be the parties to this single
5 franchise?

6 A. When you say who will be the parties, what
7 do you mean, besides the City of Kansas City?

8 Q. Who would be the utility or utilities?

9 A. It would be whatever comes out of this here
10 particular hearing, Kansas City Power & Light, Aquila.

11 Q. So it would be two companies?

12 A. It's my understanding this is a merger, and
13 it's my understanding that these two companies are going
14 to be working as separate -- separate companies. So what
15 I would like to have is I would like to have one agreement
16 that the City can follow so there can be consistency
17 throughout.

18 Q. Okay. If you'd go to page 8 of your
19 testimony, and looking at lines 16 and 17, and there you
20 mention that facility relocation is a recurring area of
21 dispute with the City. Do you see that?

22 A. Uh-huh.

23 Q. Was there a significant amount of facility
24 relocation in the recent revitalization efforts in
25 downtown such as the Sprint Center and the Power & Light

1 District?

2 A. Yes.

3 Q. Can you give me some examples of the
4 facility relocation that was necessary for those projects
5 or the scope of it?

6 A. Other than the fact that I know the general
7 area of 14th Street and between -- I would say between
8 12th and Truman, from Oak until, oh, Walnut or Main, those
9 were the areas that we had a great deal of work that had
10 to be done and a lot of utility relocations.

11 Q. Did KCPL meet your time frame for those
12 relocations?

13 A. I can't say that because I wasn't the
14 project manager on it, but --

15 Q. Did those facilities open on time?

16 A. One of them has.

17 Q. Which one is that?

18 A. The Sprint Center.

19 Q. Okay. Are there delays in the Power &
20 Light District caused by facility relocations in KCPL?

21 A. I wouldn't say -- I can't say whether or
22 not it was caused by Kansas City Power & Light, but there
23 are delays.

24 Q. Didn't KCPL have to move its facilities
25 from the McGee Bridge to facilitate the development of the

1 Power & Light and Sprint Center?

2 A. Yes.

3 Q. Who paid for those relocations?

4 A. I don't know.

5 Q. With regard to the Kansas City Power &
6 Light District and the Sprint Center, didn't KCPL
7 coordinate safety meetings with all the contractors
8 working on those two projects?

9 A. I would assume so. Like I said, I was not
10 the project man. I'm just city manager, and so I don't
11 get into the elite details of meetings and things of that
12 sort on every project.

13 Q. Well, did KCPL work with the City to ensure
14 that the Sprint Center was completed on time?

15 A. Yes.

16 Q. Were you satisfied with the cooperation
17 that you got from KCPL on that project?

18 A. I was satisfied with the cooperation I got
19 from most everyone on that particular project because we
20 did meet schedule at the end.

21 Q. Same question for the H&R Building, were
22 there significant amounts of relocation of utilities for
23 that project?

24 A. I would assume so.

25 Q. Were you satisfied with KCPL's meeting the

1 City deadlines for relocation of facilities on that
2 project?

3 A. Again, what I would like to say is I would
4 say that I hadn't had my public works manager or anyone
5 like that tell me that Kansas City Power & Light had not
6 cooperated on the project, but it's difficult for me to
7 kind of sit up here and answer those types of questions.
8 And like, again, I'm not the project manager on those
9 particular projects.

10 Q. So you would have heard about it had there
11 not been cooperation?

12 A. Yes. I'm pretty sure that if there was a
13 problem, a major problem, it would have been brought to my
14 attention.

15 Q. Well, the same question for Bartel Hall
16 expansion, was there a significant amount of utility
17 relocation for that project?

18 A. Yes.

19 Q. Did you hear anything from your managers
20 that KCPL was not cooperating on those projects?

21 A. No.

22 Q. If you would go to page 9 of your
23 testimony, and there at about line 3 and 4 you talk about
24 KCPL not providing sufficient documentation to the City
25 with regard to a streetlighting project. Do you see that?

1 A. Uh-huh.

2 Q. When did this example involving the
3 streetlighting project occur?

4 A. What line again is that?

5 Q. I believe it starts at line 3, and then
6 further on down at line 5 is where you talk about a
7 streetlighting project.

8 A. Okay.

9 Q. And I'm interested in knowing when that
10 streetlighting project occurred.

11 A. I don't know, because it doesn't have a
12 specific streetlighting project on it. I don't know which
13 one you would be referring to. We have streetlight
14 programs that we're doing for the Entertainment District,
15 and we have a citywide streetlight program also.

16 Q. Do you know where this example occurred
17 that's on page 9 of your testimony?

18 A. Looking at the testimony, I don't see where
19 it talks about any location of the city, so I can't -- I
20 can't say.

21 Q. Do you know the contractor involved?

22 A. No. I think Capital Electric does a lot of
23 the work for Kansas City Power & Light, but I don't know
24 if -- I don't know if that's on this particular project or
25 not.

1 Q. Okay. Now, in your example that you list
2 on page 9, what did KCPL fail to provide to the City?

3 A. Is this the undergrounding of the project?

4 Q. I'm asking you. I'm not sure.

5 A. It seems to me from reading this that it's
6 a project that involved my public works department, but
7 inside this here testimony it doesn't say which project,
8 which project that it actually occurred on. So I don't
9 know if it was a downtown project or another project
10 throughout the city. We have hundreds of projects.

11 Q. Right. Thank you. I guess I'm trying to
12 ascertain from you what you believe KCPL failed to do in
13 this example.

14 A. Well, in this example, because I can't
15 see -- I can't -- inside this testimony, I don't have any
16 description of the project, it's difficult for me to
17 recollect. I do have a project that's occurring --

18 Q. Thank you. You answered my question.

19 A. Okay.

20 Q. Mr. Cauthen, what testimony of KCPL did you
21 review in developing and writing your testimony?

22 A. Excuse me?

23 Q. What testimony of KCPL did you review when
24 you wrote your testimony?

25 A. I didn't review any.

1 Q. If you would go to page 9, at the -- line
2 18.

3 A. Uh-huh.

4 Q. You talk about drawings there. Do you see
5 that?

6 A. Right. Right.

7 Q. Can you give us a specific example of KCPL
8 not providing a map or drawing at the request of the City?

9 A. I can't give you one, but my public works
10 director indicated that was a problem.

11 Q. Okay. Mr. Cauthen, what is the franchise
12 tax rate that KCPL collects on behalf of the City?

13 A. I don't know. I don't have that knowledge.

14 Q. Do you know how many accounts the City has
15 with KCPL?

16 A. Not off the top of my head, no.

17 Q. For any of those accounts, do you know if
18 the City uses KCPL's online tools to manage those
19 accounts?

20 A. I have no knowledge of that.

21 Q. Do you know how many accounts the City has
22 with Aquila?

23 A. No.

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

1 THE WITNESS: Thank you.

2 JUDGE STEARLEY: Thank you Mr. Steiner.

3 Questions from the Bench, Commissioner Murray?

4 COMMISSIONER MURRAY: I have no questions.

5 Thank you.

6 JUDGE STEARLEY: Commissioner Jarrett?

7 COMMISSIONER JARRETT: Yes.

8 QUESTIONS BY COMMISSIONER JARRETT:

9 Q. Good morning, sir. I have a few questions.
10 You are the city manager; is that correct?

11 A. That's correct.

12 Q. And how long have you been the city
13 manager?

14 A. Since April of '03.

15 Q. And do you have prior experience working in
16 other cities?

17 A. Yes.

18 Q. In your experience working with Kansas City
19 and other cities, are you familiar with franchise
20 agreements such as the ones we're talking about here
21 today?

22 A. Yes.

23 Q. And I guess my question is, what is it
24 about the one -- the franchise agreement at issue here
25 that is different or insufficient from other franchise

1 agreements from other cities that you're familiar with?

2 A. I was the chief of staff for the mayor of
3 Denver from 2000 to 2003, and in Denver we did have a
4 franchise agreement with Xcel Energy, and our franchise
5 agreement typically lasted for 20 years and then we would
6 negotiate a new franchise agreement.

7 Here in Kansas City, we have a franchise
8 agreement with Kansas City Power & Light that dates back
9 to 1881, and we really don't have the ability to open it
10 up to look and see new trends that's going on in the
11 industry, and so that's why I'm here talking about what's
12 the situation.

13 Q. And what are some of the things you would
14 like to have in a franchise agreement that is common in
15 other cities' franchise agreements with utilities?

16 A. Well, one of the things I've looked at is
17 just looking at a modern franchise agreement, just looking
18 at the modern technology that's going on today versus
19 what's -- what was back then.

20 We have another franchise agreement with
21 Aquila, and that particular franchise was due to expire
22 about a year or so ago, and so we were in the process of
23 getting ready to negotiate a new franchise agreement with
24 them, and then this merger situation came about, and we
25 basically decided to hold off on that and extend the

1 existing contract. So we were going to have an
2 opportunity to look at the franchise agreement in that
3 particular case during this period of time.

4 Q. Right. I did have a question on your
5 testimony back on page 8.

6 A. Okay.

7 Q. You may have gone over this a little bit,
8 but I just wanted to clarify. Line 16 through 18.

9 A. Uh-huh.

10 Q. Starting at line 16, another recurring
11 issue with KCP&L is that with regard to facility
12 relocation, KCP&L consistently resists paying the expense
13 of relocation of public projects. Can you give me an
14 example where KCP&L resisted paying the expense of
15 relocation of public projects?

16 A. It's my understanding we had some issues
17 with relocation at our police academy in Shoal Creek where
18 we wanted some utilities moved and that it became a
19 situation where we had to pay it, and we had some delays
20 in the schedule and things of that sort from our capital
21 improvement office.

22 Q. And are relocation expenses something from
23 your experience that is commonly addressed in a franchise
24 agreement?

25 A. Yes.

1 Q. What are some of the other concrete
2 examples of things that are addressed in franchise
3 agreements that you think a new franchise agreement would
4 address?

5 A. Well, dealing with underground situations,
6 dealing with the various rates, whether or not you can
7 have different rates at different peak periods of
8 utilization, dealing with right of way issues, an
9 assortment of things like that.

10 Q. Right. And I guess now would it be safe to
11 say that whenever you want to address those issues, you
12 have to negotiate those with the utilities?

13 A. Yeah. That's not consistency. Sometimes
14 depending on the project, there could be a situation where
15 it's -- it's okay. Other times it may be a -- it may not
16 be okay, and in order for us to treat developers and
17 citizens fairly, it would be better for us to have some
18 consistent measures that we could apply citywide.

19 COMMISSIONER JARRETT: Okay. Thank you,
20 sir. I have no further questions.

21 JUDGE STEARLEY: Recross based on questions
22 from the Bench, Ag Processing?

23 MR. CONRAD: No questions, your Honor.

24 JUDGE STEARLEY: Public Counsel?

25 MR. MILLS: Just briefly.

1 RE CROSS-EXAMINATION BY MR. MILLS:

2 Q. To follow up on one of the first questions
3 that Commissioner Jarrett asked you, is it your
4 understanding that Exhibit 402 is the current franchise
5 with Kansas City Power & Light?

6 A. Can I see it? Yes.

7 Q. Can you give me a specific example of
8 something in there that you'd like to see out or something
9 that's not in there that you'd like to see in?

10 A. Well, I have not read it in a long time. I
11 just know that when looking at franchise agreements that I
12 was familiar with in other cities, it seemed to lack a lot
13 of the specifics.

14 Q. What kind of specifics?

15 A. Like I was saying about rate -- certain
16 times of the year where we can -- where the City uses a
17 lot of energy and things of that sort, there should be a
18 situation where we could actually get a discount or
19 understand what time that -- time of day that is so that
20 we could actually reduce our usage and things of that
21 sort. Those are the types of things that we were able to
22 deal with in the other municipality I worked in in
23 Colorado.

24 Q. So you're looking for specific rate
25 structure and pricing in the franchise agreement?

1 A. Well, I'm looking for consistent type of --
2 of things that you have in a modern franchise agreement,
3 and I don't think we have that in this particular one.

4 Q. Other than that kind of rate and pricing
5 issues, are there other specific examples?

6 A. Right of way issues, underground.
7 Underground is very important where we have a lot of major
8 projects throughout the City, but we would prefer to go
9 underground than to have the poles and things of that
10 sort. Weather -- green solutions, things that are
11 happening now. Our council is big on green solutions, so
12 we'd like to be able to have those types of things put in.

13 MR. MILLS: Thank you.

14 JUDGE STEARLEY: Thank you, Mr. Mills.
15 Staff?

16 MR. DOTTHEIM: No questions.

17 JUDGE STEARLEY: IBEW Locals?

18 MS. WILLIAMS: No questions.

19 JUDGE STEARLEY: Black Hills?

20 MR. DeFORD: No questions. Thank you.

21 JUDGE STEARLEY: Aquila?

22 MS. PARSONS: Just a couple.

23 RE CROSS-EXAMINATION BY MS. PARSONS:

24 Q. Hi, Mr. Cauthen. My name is Renee Parsons,
25 and I represent Aquila. And when you were talking with

1 Commissioner Jarrett, you mentioned that there was an
2 extension of the franchise agreement between Aquila and
3 Kansas City; is that true?

4 A. We basically -- we were supposed to
5 negotiate a new franchise agreement, but since this merger
6 situation's going on, we decided to extend the existing
7 contract.

8 Q. And do you know when the extension runs
9 through?

10 A. I think the end of '08.

11 Q. So December 31st of 2008, would that be
12 correct?

13 A. That's correct.

14 MS. PARSONS: Thank you. No further
15 questions.

16 JUDGE STEARLEY: Thank you, Ms. Parsons.
17 GPE/KCPL?

18 MR. STEINER: No questions.

19 JUDGE STEARLEY: Any redirect?

20 MR. GIFFORD: A couple questions, your
21 Honor.

22 REDIRECT EXAMINATION BY MR. GIFFORD:

23 Q. Mr. Cauthen, Mr. Steiner asked you about
24 the different things that KCPL has cooperated with the
25 City on. Was it your testimony that KCPL did not

1 cooperate with the City?

2 A. No. I didn't say that KCPL did not
3 cooperate with the City.

4 Q. And he mentioned a few items, Homeland
5 Security, building certification, energy efficiency and
6 park pumps. Do you remember that?

7 A. Yes.

8 Q. Could I ask you to turn to Exhibit 402,
9 which is your current franchise with KCPL. Does that
10 franchise address any of these issues?

11 A. No.

12 MR. GIFFORD: No further questions.

13 JUDGE STEARLEY: Thank you. Mr. Cauthen,
14 this concludes your testimony.

15 THE WITNESS: Thank you.

16 JUDGE STEARLEY: You may step down at this
17 time. I will not finally excuse you just in case the
18 Commissioners should have any future questions and want to
19 call you back.

20 I believe that brings us to GPE's witness,
21 Mr. Marshall.

22 MR. STEINER: Call John Marshall.

23 MR. COMLEY: Do you want to consider --
24 let's see. Mr. Marshall will be having testimony
25 concerning both the issues involving the City, and I just

1 throw this out for consideration. Would it be worthwhile
2 to consider having Mr. Marshall follow Mr. Hix and have
3 him crossed on both issues?

4 MR. STEINER: That would be fine.

5 MR. COMLEY: Your Honor, given that, the
6 City would continue its presentation with Mr. Hix.

7 JUDGE STEARLEY: All right. And are we
8 going to be taking testimony on quality of service,
9 earnings sharing mechanism and are we going to incorporate
10 the future rate case testimony as well at this time?

11 MR. COMLEY: Yes. I think that's covered
12 by Mr. Marshall's rebuttal as well.

13 JUDGE STEARLEY: All right. Very well.
14 Mr. Hix may take the stand.

15 (Witness sworn.)

16 JUDGE STEARLEY: Thank you. You may be
17 seated. You may proceed, Mr. Comley.

18 MR. COMLEY: Thank you, your Honor.

19 ROBERT J. HIX testified as follows:

20 DIRECT EXAMINATION BY MR. COMLEY:

21 Q. Mr. Hix, would you state your full name for
22 the Commission, please.

23 A. Yes. My name is Robert, middle initial J,
24 last name Hix, H-i-x.

25 Q. And by whom are you employed?

1 A. I'm an independent consultant working on
2 behalf of the -- Kansas City through the law firm of
3 Kamlet Shepherd.

4 Q. And Mr. Hix, are you the same Robert J.
5 Hix who caused to be filed in this case a set of written
6 testimony which has been previously marked by the reporter
7 as Exhibit 401?

8 A. Yes.

9 Q. And Mr. Hix, if I were to ask you the
10 questions that are contained in that testimony today,
11 would your answers be the same?

12 A. Yes, they would.

13 Q. And is it your intention that that be your
14 sworn testimony before the Commission today?

15 A. Yes, it would.

16 MR. COMLEY: Your Honor, although there are
17 three questions -- three issues rather in Mr. Hix'
18 testimony, I would go ahead and offer the testimony into
19 the record at this point, so I'd offer Exhibit 401 into
20 the record.

21 JUDGE STEARLEY: Any objections to the
22 offering of Exhibit No. 401?

23 (No response.)

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

1 (EXHIBIT NO. 401 WAS RECEIVED INTO
2 EVIDENCE.)

3 MR. COMLEY: As before, Mr. Gifford will be
4 defending Mr. Hix on cross-examination, and I tender the
5 witness for cross-examination.

6 JUDGE STEARLEY: Thank you, Mr. Comley.
7 Cross-examination starting with Ag Processing?

8 MR. CONRAD: No questions for Mr. Hix on
9 this issue, Judge.

10 JUDGE STEARLEY: Office of the Public
11 Counsel?

12 MR. MILLS: I have no questions either.
13 Thank you.

14 JUDGE STEARLEY: Staff?

15 MR. DOTTHEIM: No questions.

16 JUDGE STEARLEY: IBEW Locals?

17 MS. WILLIAMS: No questions.

18 JUDGE STEARLEY: Black Hills?

19 MR. DeFORD: No questions.

20 JUDGE STEARLEY: Aquila?

21 MS. PARSONS: No questions.

22 JUDGE STEARLEY: GPE/KCPL?

23 MR. STEINER: Yes, your Honor.

24 JUDGE STEARLEY: Please proceed.

25 CROSS-EXAMINATION BY MR. STEINER:

1 Q. Hello, Mr. Hix.

2 A. Good morning.

3 Q. Would you agree with me that the electric
4 utility industry is now in a rising cost environment?

5 A. Yes, I would say so, for the most part.

6 Q. Would you agree that the electric utility
7 industry is in a construction phase at this time?

8 A. Again, that has to be a qualified yes.
9 Depends on what you mean by construction. All aspects of
10 the business are likely not incurring a growth in
11 construction.

12 Q. What about generation?

13 A. Up 'til this past year, that may be true.
14 I mean, with the recession that we are experiencing,
15 there's likely to be a slow down in construction for new
16 facilities.

17 Q. What about transmission?

18 A. I think there's a continuing need for
19 transmission, which is likely to continue, grow and
20 facilitate primarily the integration of renewable
21 resources along with the traditional electric resources.
22 So that is a yes, that there is additional need for
23 transmission.

24 Q. Are you familiar with the comprehensive
25 energy plan of KCPL, sometimes called the regulatory plan

1 that was approved, the stipulation was approved by this
2 Commission in 2005?

3 A. I have read of it. I'm not familiar with
4 it.

5 Q. So do you know the infrastructure
6 investments contemplated in the regulatory plan?

7 A. Not the details.

8 Q. Well, what infrastructure investments do
9 you know of?

10 A. I don't know the details of the
11 infrastructure investments.

12 Q. Do you know what investments will be made?

13 A. I suspect the normal investments with
14 the -- that lead to the construction of new facilities for
15 generation and transmission, but I can't tell you what
16 they are, what their amounts are, where they're located,
17 what their sizes are.

18 Q. With your -- in your familiarity with the
19 regulatory plan, do you know if it's specified when KCPL
20 would file future rate cases?

21 A. No.

22 Q. You don't know?

23 A. Correct.

24 Q. In your work for this case, did you review
25 KCPL's rate cases since the regulatory plan?

1 A. No.

2 Q. So you wouldn't know what ROE was
3 authorized for KCPL in those cases?

4 A. Well, I was informed through an inquiry to
5 Staff that the ROE was 11 and a quarter percent.

6 Q. And was there another -- was there another
7 rate case?

8 A. I don't know.

9 Q. Did you calculate KCPL's actual return on
10 investment from that case where they were authorized
11 11.25?

12 A. No.

13 Q. Now, you testified that you have experience
14 in designing earnings sharing mechanisms; is that correct?

15 A. That's correct.

16 Q. What was the last earnings sharing
17 mechanism that you designed and was implemented?

18 A. Well, I have to be careful as to what you
19 mean by designed. There were designs that I ordered as a
20 Commissioner. There were designs that I worked on as a
21 rate engineer. And so we'll go through the last one,
22 which is a design that was implemented during the merger
23 of New Century Energy and Northern States Power that
24 resulted in Xcel Energy.

25 Again, I have worked with those things in a

1 different capacity, not necessarily the design. Once the
2 design is completed, you essentially are through with it.
3 Then you -- then you -- you deal with subsequent filings
4 and maybe minor modifications. Some of those I was likely
5 involved with while still at the Commission and while I
6 was director of regulatory strategic analysis for Xcel
7 Energy.

8 Q. Let's focus on the one you mentioned, New
9 Century Energy and Northern States Power. What years did
10 that cover?

11 A. They followed the merger itself, which was
12 begun -- the process begun -- had begun in 1999, and I
13 think was completed in 2001.

14 Q. So there was an earnings sharing mechanism
15 from 1999 to 2001, is that what you're saying?

16 A. Well, there was an earnings sharing
17 mechanism prior to that when New Century was formed. That
18 was the merger of Public Service Company of Colorado and
19 Southwestern Public Service Company. That formed New
20 Century. So there was -- there was some service quality
21 issues and earnings sharing mechanism from that.

22 Q. Okay. What years -- that mechanism, what
23 years was that in effect?

24 A. I think that was from '97 to the -- the
25 merger of -- that created Xcel in 2001, that time period.

1 Q. And then following that merger, was there
2 an earnings sharing mechanism in effect?

3 A. Yes.

4 Q. And what years was that earnings sharing
5 mechanism in effect?

6 A. '97 through 2001.

7 Q. Okay. So that's the latest earnings
8 sharing mechanism that you designed; is that correct?

9 A. Or ordered to be implemented.

10 Q. Now, that earnings sharing mechanism, I
11 believe you said -- I'm a little confused. Did it cover
12 New Century and Northern States Power?

13 A. The last one that went in that created
14 Xcel, that's correct.

15 Q. So Xcel operated under that earnings
16 sharing mechanism from 1997 to 2001?

17 A. No. Xcel didn't exist 'til 2001.

18 Q. Okay.

19 A. In 2001, and I think it was in 2007, maybe
20 late 2006, that earnings sharing mechanism was in place
21 that was -- and not modified. I think there was a
22 modification made to Xcel's earnings sharing mechanism in
23 2007. I don't know the details of that.

24 Q. Well, the one you were -- that you know the
25 details that you were involved with, what's the last year

1 that Xcel operated under it?

2 A. It was either 2006 or 2007.

3 Q. Okay. Mr. Hix, have you suggested specific
4 service quality standards in your recommendations today?

5 A. No.

6 Q. Would vegetation management standards
7 affect service quality for an electric utility?

8 A. They could.

9 Q. Do you know if the Missouri Commission has
10 adopted such standards?

11 A. I don't have direct knowledge. I have
12 reviewed some of the material related to the rulemaking
13 that the Missouri Commission had engaged in and read some
14 of that material. Some of that I merely scanned, just for
15 background and understanding the perspective that was
16 brought to that proceeding. I didn't get into the
17 details. I didn't care about the thresholds under SAIFI
18 or SAIDI or CAIFI. I didn't care about those in my
19 review. That was not my purpose of the testimony in this
20 instance.

21 Q. And would reliability metrics affect
22 service quality for an electric utility?

23 A. The metrics are a measure of performance
24 generally. Service quality is the performance, so I
25 don't -- it may be that the metrics could actually affect

1 the performance, but I can't be certain that that's --
2 there's a direct relationship there.

3 Q. Do you know if the Commission has adopted
4 reliability metrics?

5 A. I believe the Commission has -- I don't
6 know if it's complete. There have been orders to that
7 effect. I've read a dissent in that matter, and I don't
8 know if it's been implemented into law.

9 Q. Mr. Hix, did you review earnings sharing
10 grids that have been approved by the Missouri Public
11 Service Commission in the past?

12 A. I did not.

13 Q. Did you review Commission approval of other
14 Missouri mergers of electric utilities?

15 A. I did not.

16 MR. STEINER: Could I have a moment, Judge?

17 JUDGE STEARLEY: Certainly.

18 MR. STEINER: I think that's all I have,
19 your Honor. Thanks.

20 JUDGE STEARLEY: Thank you, Mr. Steiner.

21 Questions from the Bench, Commissioner Murray?

22 COMMISSIONER MURRAY: Just a couple. Thank
23 you.

24 QUESTIONS BY COMMISSIONER MURRAY:

25 Q. Good morning, Mr. Hix.

1 A. Good morning, Commissioner.

2 Q. I'm trying to gather from your testimony
3 the conditions that you say would make the merger not
4 detrimental to the public interest. You said that
5 sufficient information should be added to the record.
6 What specific information are you saying that the
7 Commission is lacking?

8 A. Well, originally I -- that part of the
9 testimony went to the weakness of the application in
10 itself, and that is that there was -- with regard to the
11 whole application, I read all of the material that was
12 presented to me, all of the testimony, the applications,
13 and in -- at the end of that review of that material, it
14 appeared that there wasn't a -- a concise, persuasive
15 argument as to why the merger in the fashion it was
16 crafted -- again, it's sort of a merger and it's sort of
17 not a merger -- but in the fashion that it was offered was
18 in the public interest and was not detrimental to that
19 public interest. And so I thought it was weak in many
20 respects. Some of it was just justifications. A lot of
21 it went to the synergies, although that was not part of
22 the case that Kansas City offers today. But I did review
23 that, and that's a weakness.

24 I looked at Staff's effort on that, and I
25 think Staff did an outstanding job. I looked at the

1 efforts of Public Counsel and others that pointed out a
2 lot of very good points. The industrial concerns as well
3 raised some really good points. So I -- the City didn't
4 have to go there. So those are the weaknesses that I felt
5 were existing in the application itself and the proposal.

6 When it came to the offerings of the City,
7 I worked on the strategy and supported the notion that the
8 City really does need an updated franchise. Then I moved
9 on to issues that I would offer and defend, and there is
10 the integration of the operations, the financial
11 operations as well, and what the utilities have said
12 they'll do is integrate operations to the most part, such
13 as there'll be a single CEO, there'll be an entity that
14 does the engineering and planning for all the operating
15 areas.

16 The field work will be done by the same
17 people. All of that is mostly integrated, but when it
18 comes to the financial operations and the reporting of
19 costs and revenues, that's to be segregated. So I find
20 that quite suspect and would suggest that we move along
21 here and go ahead and integrate completely the operations.

22 Next I looked at two areas that are
23 relatively connected, and that is the service quality and
24 earnings sharing. As the Staff has said, and I said in
25 part in my testimony, I didn't give it much emphasis

1 because it's intuitively obvious that one need be careful
2 when an entity has -- has an incentive to cut costs to
3 improve its earnings picture, and that occurs quite
4 frequently under merger situations or acquisition
5 situations.

6 And so that's why I would say that there is
7 a link between service quality, having metrics that work,
8 and have them be specific to the utility, and put some
9 teeth to those and allow for reparations to be returned to
10 customers when the company fails to perform up to those
11 standards. That's the service quality.

12 The earnings sharing mechanism has been in
13 regard to if the company is able to, through its improved
14 management, through its improved cost structure, whatever
15 it is, that if the company finds itself overearning, then
16 that overearning should be shared with customers again in
17 a timely way.

18 And so that's the matrix that I offer that
19 provides that. So that was a very quick summary, and I
20 apologize if I got far afield, but I was trying to be a
21 bit comprehensive.

22 Q. In terms of service quality, if the
23 Commission -- well, when you -- when you wrote your
24 testimony, I guess it was back in October, you indicated
25 that the Commission didn't have service quality rules

1 requiring minimum performance on behalf of our
2 jurisdiction over utilities.

3 If the Commission did have such rules using
4 basic measures of performance, some of the basic measures
5 of performance that you outlined in your testimony that
6 provide a comprehensive test of the quality of service to
7 which customers are entitled, would that satisfy that
8 aspect of your concern?

9 A. Well, that is very helpful and that sets
10 the foundation for my concern. That is, now you've got
11 the basis for reporting information and establishing
12 metrics. The other portion, and that is the portion that
13 returns to customers money that the customers have paid
14 through rates when the company has underperformed. Again,
15 that's why I say this is reparations. This is not a
16 penalty. This is a return to customers money that they've
17 already paid through rates at the expected level of
18 performance based on the standards the Commission has
19 implemented. So that's the teeth. That's the next part
20 of the quality of service plan that I would -- that I
21 would put in.

22 Again, what I suggested is that this
23 proceeding not be the one to do that, that merely the
24 company be obligated within a certain period to file with
25 the Commission an application opening the docket to set

1 the specific standards for that company. Now, I think
2 after following your rulemaking, your rulemaking may have
3 already set that foundation pretty well and you may not
4 have to do too much in that regard, but often you'll find
5 that those metrics do need to be specific to a utility.
6 But again --

7 Q. Let me interrupt you a second. Are you
8 saying that because of this transaction, this merger
9 transaction, that a specific set of rules needs to be set
10 up for this particular utility?

11 A. Not rules necessarily, but a specific
12 application that is reviewed and approved by the
13 Commission. It could be in compliance with the rules, but
14 when you look at a utility's technical characteristics,
15 some of its operating performance, you can look at, well,
16 how is it relative to other utilities.

17 That may or may not be important. I mean,
18 utilities like to do that. They like to say, well, we're
19 in the top tier of all the utilities of this size or in
20 this area in the country, and that's nice, but it may or
21 may not be dispositive of anything.

22 So all I'm saying is that you take a look
23 at -- you've got your foundational rules, you've got your
24 application that comes in, and now is it in compliance
25 with those rules and then should it be modified in any

1 respect particularly to that utility?

2 So that's just sort of a tweaking, because
3 I think what you've got in your rules is a good
4 foundation. Now, is the utility complying with that?
5 Does it -- do their standards have to be somewhat
6 different or not? And then -- and again, the next step
7 is, what is done with regard to any reparations should
8 there be a failure to perform?

9 Q. Then your basis for singling, I assume,
10 KCP&L and Aquila out separately from the other utilities
11 and looking at them more stringently is this merger
12 transaction?

13 A. Correct. That's -- that's one of the
14 events in a utility's life that leads to significant
15 change. It's structural change, it's management change,
16 it's attitudinal change and it's that opportunity for
17 improvements in performance or degradation in performance.

18 Q. And the earnings sharing mechanism, I
19 gathered from your testimony that you're not talking about
20 Aquila and KCP&L each having an earnings sharing
21 mechanism, that you're not even in favor of the merger
22 plan as it is proposed here because the financials would
23 be kept separately under the proposal? You're talking
24 about an earnings -- combining the financing and an
25 earnings sharing mechanism for that combined utility?

1 A. Yes. That would be my preferred approach.

2 COMMISSIONER MURRAY: Thank you. That's
3 all I have.

4 THE WITNESS: Thank you, Commissioner.

5 JUDGE STEARLEY: Thank you, Commissioner.
6 Commissioner Jarrett?

7 QUESTIONS BY COMMISSIONER JARRETT:

8 Q. Good morning, sir.

9 A. Good morning, Commissioner.

10 Q. I just had a quick question. I wanted to
11 explore this reparations issue where if certain quality
12 standards aren't met, then reparations would be paid to
13 consumers. How exactly does that work? I mean, would
14 that be something that would be addressed in the next rate
15 case or what?

16 A. No. Generally when one has a mechanism of
17 that type, even the earnings sharing mechanism, same
18 thing, you take an annual review of performance, and so,
19 let's say the calendar year 2007 data could be submitted
20 in April of 2008, and that's evaluated by Staff and other
21 interested parties to see if the company has met the
22 standards or metrics that have been established by the
23 Commission for them, and again, it is with regard to --
24 maybe I'll just clarify what I mean by reparations. It's
25 not penalties. My experience with most commissions in

1 this country, penalties have to be acquired or implemented
2 through going to state court. That's the way it is in
3 Colorado. I suspect it's here in Missouri. I believe it
4 is. But this is not about penalties.

5 I've been involved in both things in
6 Colorado, reparations issues as well as penalties, and so
7 I would -- I would be rather aggressive, maybe assertive,
8 that -- that this is something that is completely within
9 the Commission's jurisdiction to do, to order, and so when
10 it comes to the reparations, it's -- it's based on the
11 evaluations completed following the submittal of the
12 utility.

13 Again, if it's 2007 material that's
14 submitted in April, the Commission may or may not require
15 a hearing, but its staff will review the material and make
16 a recommendation, and then the Commission will decide if a
17 hearing is necessary, that -- how to proceed, if a hearing
18 is not necessary. But it's clear that everyone
19 understands the formulas and how to work through the
20 process. Then the Commission can make the Order based on
21 that.

22 Q. Thank you. I notice, you know, Mr. Steiner
23 was asking you questions, you indicated you hadn't put any
24 specific examples of quality of service standards. Could
25 you give us a few?

1 A. Well, as I listed in my testimony, there's
2 the SAIFI and SAIDI and CAIFI. All of those are intended
3 to look at -- of those measures, those are intended to
4 look at interruptions, service interruptions. There are
5 other measures related to, say, call center performance,
6 you know. There's hold time. There's various measures of
7 average hold time and there -- there -- there are lengths
8 of call, those sort of things for call centers.

9 Those are all good measures. Virtually any
10 of those things that directly affect customers and the
11 provision of utility services are something that is
12 subject to some sort of -- of performance measure.

13 Q. And then I did have a question on the --
14 your recommendation for an earnings sharing mechanism.
15 The way this merger is being structured, are you concerned
16 that it like -- it is likely that the companies will
17 overearn?

18 A. Well, the possibility of overearnings is
19 unknown. One of the motivations for Great Plains to try
20 to accomplish this merger should be the opportunity to
21 gain more profit. I would hope that they're trying to get
22 more money out of this deal. And I'm a big supporter of
23 utilities earning as much as they can up to their
24 authorized level. And so I don't know for certain, and I
25 don't know that anybody knows for certain what the

1 probability of overearnings will be in this case. It may
2 be high. It may be low. But even if it's low, if you
3 have the mechanism in place, that mechanism will allow for
4 that annual review and it should be quite, I would say,
5 easily accomplished.

6 That review need not take the time and
7 effort of a rate case. Even use the standards that have
8 been set in the prior rate case as what's the means of
9 accounting, what's the level of depreciation and rate. All
10 of those -- what's the authorized level of earnings. All
11 of that has been established by the prior rate case.
12 There's nothing to argue about. All we're talking about
13 is what are -- what is the earnings picture for the
14 utility?

15 And so, you know, there may be some
16 argument about which cost goes where and what revenues go
17 where, so that may occur, but you can take a look at that
18 very quickly and -- and get that review, and it's done on
19 an annual basis.

20 Is that unnecessary because they're
21 underearning? Well, maybe not. It's just a report at
22 that point to the Commission. But you've got, again, the
23 mechanism in place that takes a look at, should there be
24 any overearnings, how do we deal with it?

25 And generally this is one of those areas

1 that you can't accomplish without the utility's
2 cooperation. In general, the regulatory structure that we
3 currently have is that a utility is allowed any earnings
4 over its authorized until there's a rate case adjusting
5 their means of revenue recovery.

6 So until there's a rate case, in between
7 rate cases a utility's allowed to underearn or overearn,
8 and if they overearn, they get to keep it. If they
9 underearn, they want to file another rate case pretty
10 soon. So this doesn't say that the Commission can
11 implement that without the cooperation of the utility.

12 In the past, when this happened, I've been
13 involved with electric, gas, telephone companies in
14 Colorado where the utilities have agreed that this is an
15 acceptable regulatory mechanism, and it has to be done
16 with the Commission's -- with the company's acceptance of
17 that. Many of those have been implemented nationwide when
18 there was the restructuring boom back in the mid '90s
19 through the early 2000s.

20 So that restructuring, when there was
21 motivation for divestiture of generation and -- and
22 allowing of retail competition for supply, when that was
23 being done, often rates were frozen, sometimes reduced and
24 frozen. There were standards set for when the next rate
25 case could be filed, and there is -- there is a price cap

1 mechanism put in place, some of which had what I would
2 call an earnings sharing type mechanism.

3 Most of those did not have the reverse
4 taper that I put in. Some of them actually found out
5 later that that was a mistake. And so there are all those
6 things to think about. As I said, I don't think the
7 Commission can do that unilaterally.

8 Q. Right. I want to make sure I understood
9 you correctly when you said that if the company is
10 overearning, there's no way to address that except in the
11 next rate case?

12 A. Not quite. If the company is overearning,
13 the Commission can show cause, the Commission -- or a
14 complaint can be filed and the Commission can deal with it
15 in that regard.

16 Q. Right. Okay. I wanted to make sure I
17 understood that right.

18 COMMISSIONER JARRETT: No further
19 questions. Thank you.

20 JUDGE STEARLEY: Thank you, Commissioner
21 Jarrett. Recross, Ag Processing?

22 MR. MILLS: Judge, before you go to Ag
23 Processing, I'd just like to ask a question. According to
24 the second list of issues, et cetera, filed by the Staff
25 on April 16th, Ag Processing is not shown as having

1 cross-examination for Kansas City witnesses, the City of
2 Kansas City witnesses I should say.

3 MR. DOTTHEIM: That was --

4 MR. MILLS: Are you working from the same
5 document that I'm working from?

6 JUDGE STEARLEY: I'm not actually, but I
7 don't know if that was an oversight.

8 MR. DOTTHEIM: That was an oversight.

9 JUDGE STEARLEY: I want to be sure to give
10 everyone an opportunity for cross and recross.

11 MR. DOTTHEIM: Unless Mr. Mills is
12 suggesting something?

13 MR. MILLS: No. I was just asking the
14 Bench whether this document is controlling as to the
15 process in this hearing.

16 JUDGE STEARLEY: I don't believe it's
17 totally controlling in the regard with an instance like
18 this where Staff's pointed out as an oversight and in due
19 process interests we want to be sure and give everyone an
20 opportunity for cross.

21 MR. MILLS: Thank you.

22 JUDGE STEARLEY: Mr. Conrad?

23 RE-CROSS-EXAMINATION BY MR. CONRAD:

24 Q. Mr. Hix, I did want to go back briefly to a
25 conversation you were having with Commissioner Murray, and

1 I believe I got this down probably not totally accurately,
2 but in response to a question from her about, I believe
3 this was on the service quality part of it, you said
4 something like one should be careful when an entity has an
5 incentive to cut cost to improve its earnings picture, and
6 then you went on to say this occurs quite frequently in
7 merger situations. Do you recall that?

8 A. I do.

9 Q. Could you help me understand what it is
10 you're talking about there and why that is in your view
11 more of a concern in a merger situation than otherwise?

12 A. Yes. Mergers lead to the consolidation of
13 operations frequently. That is, for utilities it might
14 lead to the consolidation of call centers. Couple
15 utilities may merge. They may have each had their own
16 call center. May be only one call center as a result of
17 that merger, which may or may not be capable of continuing
18 to provide the customers the quality of service they were
19 used to. That can happen again with service centers.
20 Those are frequently consolidated. It can happen with
21 regard to the operations of many segments of the utility
22 operation. Again, electric resources, what I mean
23 by that, primarily the generating resources, those may be
24 dispatched in a different manner, which may or may not
25 affect costs. It's -- it's -- again, the objective should

1 be to reduce costs for all, but it may actually end up
2 increasing costs for one set of customers and reducing
3 cost for others. The operation of transmission systems
4 can be affected. All of those things can occur during a
5 merger circumstance.

6 Q. All right. I think -- I think I understand
7 that, but now tie that back to the comment that you made
8 about improving its earnings picture, that is a
9 springboard to improve its earnings picture.

10 A. Well, again, if one were to -- it's basic
11 mathematics, I think. If one were to look at the costs
12 for two entities in total and then to merge those entities
13 and cut out some costs but be able to generate the same
14 level of revenue, then your earnings picture will improve.
15 So that -- again, I tried to keep it very general. I
16 didn't say what was going down, what was going up, what
17 was coming out.

18 But again, you've got two separate
19 operating entities with their own costs and revenues.
20 Then you merge them, keep the revenues the same, cut the
21 cost, then your earnings have improved.

22 Q. Now, take with me the other side of that,
23 what you were talking with Commissioner Murray about, and
24 let's assume that a utility, after it does one of these
25 things, finds itself in a very financially stressed

1 position. What is your experience with respect to cutting
2 services back so as to retain profitability? In other
3 words, I'm asking you, rather than to encourage or to
4 improve an earnings picture, perhaps to maintain one or
5 prevent damage occurring?

6 MR. STEINER: Your Honor, I'm going to
7 object here. I don't think Commissioner Murray's question
8 had anything to do with financial stress, which is the
9 predicate of this question.

10 JUDGE STEARLEY: Mr. Conrad, your response?

11 MR. CONRAD: Well, we're talking about
12 improving earnings picture. It seems that we ought to be
13 able -- that might potentially be characterized as
14 benefit. It would seem we ought to look at a potential
15 detriment also. I'm simply asking the witness what his
16 experience is about that and the impact on service
17 quality.

18 He's here for service quality, and I think
19 that's the scope -- well within the scope of Commissioner
20 Murray's question. I presume she wasn't asking just for a
21 one-sided view, but was asking instead for the witness'
22 entire experiential basis about service quality. I would
23 trust Commissioner Murray would want to be fair in the
24 question.

25 JUDGE STEARLEY: I'll overrule. You may

1 answer the question, Mr. Hix.

2 THE WITNESS: Thank you, Judge. I have to
3 be careful here. You started -- you premised the question
4 with my experience, and I have some knowledge of what has
5 occurred on the merger of wholesale type suppliers. In
6 that instance, there's bankruptcy involved.

7 And so when one acquires the assets of a
8 bankrupt entity, then sometimes you have liabilities that
9 come with that and sometimes not, and they're very complex
10 and very litigious at times. And so that's really not a
11 good example, because that doesn't get you service quality
12 because it's up on a wholesale level primarily.

13 Otherwise, I would be hypothesizing quite a
14 bit as to what I think could happen, and say you have a
15 weakened utility that's merging with a stronger utility,
16 could that lead to that? And that's not my experience,
17 and so if you want me to answer the question, I would have
18 to say that's about all I have to say, unless you want me
19 to hypothesize.

20 BY MR. CONRAD:

21 Q. I don't -- I don't want you to speculate.
22 Let's go on then to a question or two from Commissioner
23 Jarrett. And he was asking you to explore with him the
24 reparations issue. Have you seen that done anywhere?

25 A. Oh, yes.

1 Q. You may have mentioned those circumstances
2 in your exchange with Commissioner Jarrett, but I missed
3 that. Where has that reparations mechanism that you're
4 talking about been done?

5 A. Well, it's been done in Colorado on two
6 fronts, one for telecommunications, originally with U.S.
7 West when it was U.S. West, and I think the mechanism
8 was -- was continued following the merger that created
9 Qwest. Then it's been done several times with the old
10 Public Service Company of Colorado, which became New
11 Century Energy, which became Xcel Energy. So that has
12 been done several times.

13 Q. Would you be able to supply the Commission
14 with some citations to where they might find those cases?

15 A. I think so, with some looking back and
16 research, maybe if my counsel could help out with that.

17 Q. Hopefully, and that might be helpful to the
18 Commission to be able to look and see where something like
19 that's been done, the parameters under which it was done.

20 Did you ever do -- did you do a lot of work
21 with PSCO, Public Service of Colorado?

22 A. I did.

23 Q. Which you might be surprised that there's
24 somebody else in the room who knows what a lobby number
25 is. Have you run across a lobby?

1 A. I run across the term. I tried not to
2 focus on that.

3 Q. The Commissioner also asked you about the
4 earnings sharing mechanism. And again, my question to
5 you, and you may have answered it with respect to him, but
6 I missed it, are you aware of some cases where that has
7 been done?

8 A. Could you repeat that question for me one
9 more time?

10 Q. Well, the question -- he had queried you
11 further about earnings sharing as distinguished -- I
12 thought, and perhaps I misunderstood it, from the
13 reparations issue, the earnings sharing that you were
14 talking about with Commissioner Jarrett is different than
15 the reparations, right?

16 A. Correct.

17 Q. And he queried you about the earnings
18 sharing mechanism. My question to you, sir, is, again,
19 are you aware of some circumstances where that has been
20 done?

21 A. Yes. Again --

22 Q. Please.

23 A. There is -- one of the mechanisms that was
24 used by U.S. West that returned money to customers if U.S.
25 West overearned. That -- but that was a combined service

1 quality and earnings sharing. That turned out to be a
2 flaw. It was later split so that customers could have
3 their reparations without the company overearning. So you
4 have to be careful there.

5 So in that instance, again, there are
6 orders about that. I probably signed a couple dozen of
7 them. Then with New Century and Xcel Energy, there are
8 the annual reviews of their earnings sharing, their
9 earnings picture through their mechanisms, that there are
10 many orders related to that.

11 And so all of those have been done in
12 Colorado, and so that's my direct experience. I suspect
13 there are many around the country that are similar but not
14 of the same design, not the exact same design.

15 Q. Once again, would it be possible for you,
16 perhaps through your counsel, to provide the Commission
17 and the other parties with some more precise citations to
18 the instances to which you're referring?

19 A. I believe it would be possible. Again, a
20 bit of it's going to be voluminous, and so --

21 Q. Well, the citation wouldn't be.

22 A. Correct.

23 Q. The material underneath that citation might
24 be, but the citation itself might be helpful just so we
25 knew where to look.

1 A. Exactly. And if it's the Commission's
2 desire, we'll provide whatever material is requested.

3 Q. Well, I'll leave that up to your counsel,
4 but I sense that there was some at least interest on the
5 part of Commissioner Jarrett to see where that was going,
6 and might be others that would like to look at that, too.

7 MR. CONRAD: Okay. Thank you, sir. That's
8 all I have, Judge.

9 JUDGE STEARLEY: Recross, Public Counsel?

10 MR. MILLS: No questions.

11 JUDGE STEARLEY: Staff?

12 MR. DOTTHEIM: No questions.

13 JUDGE STEARLEY: IBEW Locals?

14 MS. WILLIAMS: No questions.

15 JUDGE STEARLEY: Black Hills?

16 MR. DeFORD: No questions.

17 JUDGE STEARLEY: Aquila?

18 MS. PARSONS: No questions.

19 JUDGE STEARLEY: GPE/KCPL?

20 MR. STEINER: Yes, briefly, your Honor.

21 RE CROSS-EXAMINATION BY MR. STEINER:

22 Q. Mr. Hix, do you recall discussing
23 reparations with Commissioner Jarrett?

24 A. Yes, sir.

25 Q. What is -- under the reparations regime,

1 what is the incentive for a company to improve its service
2 from the level in a service quality metric?

3 A. Well, we debated that in Colorado. Some
4 felt that there should be symmetry to that mechanism with
5 regard to funds exchanged. That is some advocates, some
6 commissioners had different views, and that is initially
7 it was one-sided.

8 That was asymmetric. There were funds that
9 went from the utility to the customers when performance
10 was substandard, but the argument was, what if -- if the
11 utility provides greater than the standard performance,
12 and so then there's lots to say or not say about that.

13 Some would argue that, well, that's just
14 gold plating. If the Commission has set the standard at
15 this level, that's what's expected, that's what's needed,
16 we don't need any more. So it's that gold plating issue,
17 but that doesn't mean you can't do it.

18 You can have a mechanism that has an
19 element -- if you think there's value -- and again, that's
20 why you need to be careful with specific utilities with
21 regard to specific metrics on performance. If you think
22 there's value in doing better than the standard, then you
23 might do something like that. Otherwise, the standards
24 are expected to provide what's just and reasonable and in
25 the public interest and that's sufficient.

1 Q. Thank you. When you were speaking to
2 Commissioner Murray, you indicated that you should, one,
3 should be careful in a merger because an entity has an
4 incentive to cut costs to improve its earnings picture.
5 Do you recall that?

6 A. Correct.

7 Q. In terms of this case, did you look at the
8 specifics that KCPL proposed in terms of cost savings in
9 the customer service area?

10 A. I did look at the -- most of the synergy
11 material in testimony, but that's not part of my testimony
12 here.

13 Q. So what, for example, is KCPL proposing as
14 far as synergies in the customer service area?

15 A. I don't recollect.

16 Q. Can you recall any of the synergies that
17 KCPL is proposing?

18 A. It would be with some degree of uncertainty
19 because I've not focused on that. Again, this testimony
20 was prepared nearly nine months ago, and I focused on the
21 part of the case that the City requested of me. Even
22 though I looked at the whole case, when it came to
23 offering testimony and defending that, that's all I'm here
24 to do.

25 Q. So you don't make a specific recommendation

1 on KCPL's level of synergies or how that would affect
2 customer service; is that correct?

3 A. That's correct.

4 MR. STEINER: Thank you. Nothing further.

5 JUDGE STEARLEY: Thank you, Mr. Steiner.
6 Redirect?

7 MR. GIFFORD: Nothing, your Honor.

8 JUDGE STEARLEY: Mr. Gifford, Mr. Comley,
9 perhaps you can provide a listing of cases for the
10 Commission, let's say no later than May 9th, if at all
11 possible, as a late-filed exhibit so the other parties
12 would have an opportunity to review and/or respond in our
13 briefing schedule.

14 MR. COMLEY: I think the way we set up the
15 exhibit numbers, the next exhibit for us would be 404?

16 JUDGE STEARLEY: That's what I have.

17 MR. STEINER: And your Honor, so I'm clear,
18 these are citations to what?

19 JUDGE STEARLEY: Citations to cases
20 providing examples of where there's been an energy sharing
21 mechanism employed or reparations provided to customers.

22 And Mr. Hix, I believe that concludes your
23 examination. You may step down at this time.

24 THE WITNESS: Thank you, your Honor.

25 JUDGE STEARLEY: I will not finally excuse

1 you just in case the Commission should have additional
2 questions for you. Are the parties anticipating a lengthy
3 cross-examination of Mr. Marshall?

4 MR. GIFFORD: 15 minutes.

5 JUDGE STEARLEY: I just wanted to check if
6 we needed to take a break before we proceed. If not, you
7 may go ahead and call Mr. Marshall.

8 MR. STEINER: KCPL/GPE calls John Marshall.

9 (Witness sworn.)

10 JUDGE STEARLEY: Thank you. You may be
11 seated. You may proceed.

12 MR. STEINER: Mr. Marshall has been on the
13 stand before, and so we've had introductions of his
14 testimony, so I think at this time I would just tender him
15 for cross-examination and questions from the Bench.

16 JUDGE STEARLEY: Thank you Mr. Steiner.
17 Cross-examination, Aquila or Black Hills?

18 MS. PARSONS: No questions.

19 MR. DeFORD: No questions.

20 JUDGE STEARLEY: IBEW Locals?

21 MS. WILLIAMS: No questions.

22 JUDGE STEARLEY: Ag Processing?

23 MR. CONRAD: Mr. Marshall -- well, Judge
24 first let me clarify, are we first going to go on service
25 quality and then to the other issues?

1 JUDGE STEARLEY: Since he's up for cross on
2 all three of these issues, Mr. Conrad, I guess feel free
3 to take them in the order you wish.

4 JOHN MARSHALL testified as follows:

5 CROSS-EXAMINATION BY MR. CONRAD:

6 Q. Mr. Marshall, were you here just a moment
7 ago when Mr. Hix was -- Commissioner Hix was on the stand?

8 A. I was.

9 Q. Did you hear him discuss with Commissioner
10 Jarrett the earnings sharing mechanism as he characterized
11 it?

12 A. I did.

13 Q. Did you hear him indicate that something
14 like that would take cooperation from the utility?

15 A. Yes.

16 Q. Your experience has been that KCPL is a
17 cooperative utility at least with respect to the City; is
18 that correct?

19 A. Indeed.

20 Q. Would you expect that same level of
21 cooperation to occur with the Commission if they wanted to
22 talk to you about an earnings sharing mechanism?

23 A. With me specifically?

24 Q. Would you expect that to be continued with
25 KCPL if the Commission wanted to talk with you about an

1 earnings sharing mechanism or would the cooperation
2 terminate then?

3 A. I believe we have always been and continue
4 to be open to any discussion with the Commission.

5 Q. Would that be true with respect to
6 reparations as the Commissioner was discussing?

7 A. To my knowledge, it's not a part of this
8 case at this point.

9 Q. I understand that. You heard his
10 testimony, did you not?

11 A. I did, but no specific information.

12 Q. So you would reserve as to that, then?
13 You'd want to see the proposal?

14 A. Absolutely.

15 Q. Well, you agree that service quality is
16 something that's important to customers, don't you?

17 A. Yes, it is.

18 Q. And maintenance of it is -- would be
19 something that would be important to customers, right?

20 A. It is, and in my testimony I've indicated
21 where we've been recognized regionally and nationally for
22 reliability, customer satisfaction, so we take a great
23 deal of pride in delivering on those things and meeting
24 all the Commission expectations in terms of rules and
25 performance.

1 Q. And you'd agree with me, I take it, that
2 those are expectations customers have and customers pay
3 for?

4 A. Yes, that's correct.

5 Q. So if you didn't meet those expectations,
6 wouldn't it be reasonable to have some repercussions,
7 however they were characterized, from that?

8 A. I believe that's the prerogative of the
9 Commission to bring those issues if, in fact, we have
10 service issues routinely.

11 Q. Now, in your experience, Mr. Marshall, the
12 Staff of the Commission is in many respects kind of the
13 watchdog on that, right?

14 A. We certainly interact with them frequently,
15 monthly, quarterly. We've been a part and actually a
16 leader here in Missouri this past summer with regard
17 to vegetation management rulemaking as well as
18 infrastructure rulemaking.

19 Q. I didn't mention anything about vegetation
20 management in my question, did I?

21 A. You asked me about performance.

22 Q. No, sir. I asked you if Staff was a
23 watchdog for your performance.

24 A. Well, in fact, that goes directly to --

25 Q. Is Staff a watchdog for your performance?

1 A. They certainly look at our performance.

2 Q. Is there anyone else that you consider to
3 be a watchdog for your performance?

4 A. I believe our customers at large.

5 Q. And those customers sometimes complain to
6 the Commission about inadequate customer service as they
7 contend?

8 A. They certainly have the right to do that.

9 Q. Are those complaints always signed by the
10 customers or are they sometimes general?

11 A. I think formal complaints usually are, in
12 fact, a specific customer raising a specific issue that
13 the Commission believes is -- merits us looking into.

14 Q. Sometimes complaints, though, about service
15 quality might come to the Commission or through Public
16 Counsel that might not be signed, right?

17 A. I don't know of any.

18 Q. You know of none?

19 A. I do not.

20 Q. Assume with me that something did come in.
21 Would you take the position that Staff should not
22 investigate it anyway?

23 A. No.

24 MR. CONRAD: Thank you, sir. That's all I
25 have.

1 JUDGE STEARLEY: Thank you, Mr. Conrad.

2 Public Counsel?

3 MR. MILLS: No questions.

4 JUDGE STEARLEY: Staff?

5 MR. DOTTHEIM: No questions.

6 JUDGE STEARLEY: Questions from the Bench,
7 Commissioner Murray?

8 MR. STEINER: Your Honor, the City was
9 going to cross, I think.

10 JUDGE STEARLEY: I'm sorry. I apologize.
11 I missed you on my list. Mr. Gifford?

12 MR. GIFFORD: Thank you, your Honor, may I
13 approach the witness?

14 JUDGE STEARLEY: You may.

15 (EXHIBIT NOS. 405 AND 406 WERE MARKED FOR
16 IDENTIFICATION BY THE REPORTER.)

17 MR. GIFFORD: For the record, your Honor,
18 we have just passed out to both the witness and the
19 parties two items. One which we would at least mark, not
20 yet offer is a map, and that would be 405. 404 is going
21 to be reserved for the citation. And we also passed out a
22 Joint Motion and Settlement Agreement before the Kansas
23 Corporation Commission. That would be marked as 406.
24 Again, your Honor, I'm not offering either of those. I'm
25 not offering those in, but I'll get them marked to get

1 started here if that works with you, your Honor.

2 JUDGE STEARLEY: That's correct. And
3 that's the order that I have them to be marked.

4 CROSS-EXAMINATION BY MR. GIFFORD:

5 Q. Good morning, Mr. Marshall. How are you?

6 A. Good morning. I'm great.

7 Q. Just a few questions to begin with. Could
8 you -- and I'm not asking you to vouch for the accuracy of
9 this map. I'm asking you to look at it for illustrative
10 purposes. Could you take a look at what's been marked as
11 Exhibit 405? Do you recognize that, Mr. Marshall?

12 A. Not specifically. I haven't seen this map
13 before.

14 Q. Well, for illustrative purposes,
15 Mr. Marshall, I would ask you to accept that this is a map
16 of the city of Kansas City. Can you agree to accept that
17 premise?

18 A. It looks generally correct. It's difficult
19 to pick out exactly the landmarks.

20 Q. It is. We should have put the fountains in
21 at least. And I would further ask you for illustrative
22 purposes to accept for purposes of this discussion,
23 Mr. Marshall, that the yellow areas signify Aquila
24 territory and the white areas signify KCPL territory. Can
25 you accept that for purposes of this discussion?

1 A. That would be generally correct.

2 Q. And you would agree with me, Mr. Marshall,
3 that currently the City of Kansas City is served by two
4 utilities, is that right, electric utilities?

5 A. I know of at least two.

6 Q. And that is Aquila and Kansas City Power &
7 Light?

8 A. That's correct.

9 Q. And the yellow territory on that map is
10 Aquila territory; is that right?

11 A. It looks generally correct.

12 Q. And the white territory is Kansas City
13 Power & Light?

14 A. Looks generally correct.

15 Q. And within the current legal situation,
16 Mr. Marshall, that within the white territory on that map,
17 Exhibit 402 the operative franchise agreement; is that
18 correct?

19 MR. STEINER: I'm going to object that it
20 calls for a legal conclusion.

21 JUDGE STEARLEY: Your response?

22 MR. GIFFORD: Let me rephrase the question.

23 JUDGE STEARLEY: All right. You may
24 proceed.

25 BY MR. GIFFORD:

1 Q. KCPL has a franchise agreement with the
2 City of Kansas City; is that correct?

3 A. We do.

4 Q. And Aquila has a franchise agreement with
5 the City of Kansas City; is that correct?

6 A. They do. In fact, counsel for Aquila just
7 referenced that.

8 Q. And those agreements are different; is that
9 right?

10 A. Yes, I believe that's correct.

11 Q. When this merger completes, Aquila and
12 Kansas City Power & Light will not -- will retain separate
13 legal status is your proposal; is that right?

14 A. That's correct. There will be two legal
15 entities.

16 Q. But there -- you did testify that there
17 will be significant unity of operations; is that correct?

18 MR. STEINER: I'm going to object to lack
19 of foundation. Where did he testify to that?

20 MR. GIFFORD: Let me rephrase,
21 Mr. Marshall.

22 BY MR. GIFFORD:

23 Q. Mr. Marshall, we've established that there
24 are two franchises currently governing the relations
25 between these two electric utilities in the city of Kansas

1 City; is that correct?

2 A. Yes.

3 Q. After -- if this merger is approved as
4 you've applied for it, how many franchises will be
5 operational within the city of Kansas City?

6 A. Two.

7 Q. When -- if this merger is approved as you
8 have proposed, there are currently how many CEOs of these
9 two companies?

10 A. There are currently two.

11 Q. And after the merger, how many CEOs will
12 there be?

13 A. There will be one.

14 Q. And Kansas City Power -- or Great Plains
15 would -- has testified in this that they will realize
16 synergy savings from consolidating executive suites; is
17 that correct?

18 A. I'm not sure about the executive suites.

19 What do you mean?

20 Q. I'm using it figuratively. Taking two sets
21 of corporate executives down to one, there are synergy
22 savings from that; is that correct?

23 A. We certainly will integrate the staffing of
24 the two companies to realize synergies.

25 Q. And currently how many headquarters

1 buildings do Kansas City Power & Light and Aquila occupy?

2 A. There are currently two.

3 Q. And after this proposed merger, how many
4 will there be?

5 A. There will be one at 1201 Walnut, and
6 20 West Ninth will be sold.

7 Q. And it's the testimony of KCPL witnesses in
8 this case that that will result in synergy savings; is
9 that correct?

10 A. That's correct. My testimony goes to that.

11 Q. How many planning departments do the two
12 utilities have right now?

13 A. I would have no idea completely how many
14 planning groups. Can you be more specific?

15 Q. Well, how many -- there'll be a
16 transmission planning group in KCPL; is that correct?

17 A. That's correct.

18 Q. Is there a transmission planning group in
19 Aquila?

20 A. Yes.

21 Q. Following the merger, will those two groups
22 be consolidated?

23 A. They will.

24 Q. So there'll be one transmission planning
25 group?

1 A. That's correct.

2 Q. And there's a generation planning group
3 within Kansas City Power & Light currently?

4 A. Yes, there is.

5 Q. And there's a generation planning group
6 within Aquila?

7 A. Yes, there is.

8 Q. And after the merger, how many generation
9 planning groups will there be?

10 A. There'll be one.

11 Q. There are -- currently KCPL has a call
12 center; is that correct?

13 A. We do.

14 Q. And Aquila has a call center?

15 A. They, in fact, do have one.

16 Q. And after the merger, there will be how
17 many call centers?

18 A. In what time frame?

19 Q. Within the next two years.

20 A. Within the next two years, we'll have a
21 single call center.

22 Q. And as to all these issues going from two
23 to one, it's your testimony that there will be synergy
24 savings realized for the company and for ratepayers; is
25 that correct?

1 A. Yes, there will be.

2 Q. Now, going back to the map, which is again
3 just for illustrative purposes, as you've applied for it,
4 after this merger is consummated, how many franchises
5 again will be operative within the city limits of Kansas
6 City?

7 A. There will be two.

8 Q. How many -- if I am a -- the City of Kansas
9 City, what franchise will apply after this merger in the
10 yellow part of the map which signifies Aquila territory?

11 A. The Aquila franchise.

12 Q. And if I am the City of Kansas City, what
13 franchise will apply in the white area?

14 A. The Kansas City Power & Light franchise.

15 Q. And those franchises have different terms
16 and conditions; is that right?

17 A. Yes, they are.

18 Q. If there is a subordination issue, for
19 example, Mr. Marshall, in the yellow part of that map, the
20 Aquila franchise, what would that subordination
21 relationship be governed by?

22 A. If there is one, it would be the Aquila
23 franchise would be the operative.

24 Q. And if there is a subordination issue in
25 the white area of the map, the current KCPL franchise,

1 what would that be governed by?

2 A. If there were one, it would be the Kansas
3 City Power & Light franchise.

4 Q. If there is a relocation issue in the
5 Aquila territory, who would be -- who would the linemen or
6 servicemen who would be sent out on the call work for?

7 A. Restate your question.

8 Q. If -- let me back up. After the merger,
9 who will do relocation work within the Aquila territory?

10 A. Aquila individuals.

11 Q. They will work for Aquila?

12 A. They will actually work for Kansas City
13 Power & Light.

14 Q. They'll work -- I'm sorry. Can you repeat
15 that?

16 A. They will actually work for Kansas City
17 Power & Light.

18 Q. And if I am a customer in the Aquila
19 territory on that map, the yellow part, after a reasonable
20 period of time and I call the call center, who will I be
21 calling?

22 A. You'll be calling Kansas City Power &
23 Light.

24 Q. The Aquila franchise is expired; is that
25 correct?

1 A. I think I've just heard counsel say that it
2 was continuing until the end of 2008.

3 Q. That's correct. And I apologize,
4 Mr. Marshall. If this merger is consummated according to
5 your application, it would be the case that once that
6 franchise, that Aquila franchise expires it will have to
7 be renegotiated; is that correct?

8 A. That's correct.

9 Q. When the City of Kansas City seeks to
10 renegotiate that Aquila franchise, who will they be
11 negotiating with?

12 A. With Kansas City Power & Light on behalf of
13 the Aquila territory.

14 Q. And who will the attorneys work for who
15 will be negotiating that franchise on behalf of Aquila?

16 A. They will be working on behalf of Aquila.

17 Q. Who will they work for?

18 A. I would assume they would be working for
19 Kansas City Power & Light.

20 Q. Thank you. Just a couple more questions,
21 Mr. Marshall. Could I ask you to turn to Kansas City
22 Exhibit 402?

23 A. I'm not sure if I know what 402 is.

24 Q. That's the certified copy of the franchise,
25 the KCPL franchise. Mr. Marshall, are you familiar with

1 this document at all?

2 A. I can't say that I've seen the handwritten
3 portions of this prior to this point in time.

4 Q. Well, for purp --

5 A. And I've looked at the original franchise
6 agreement.

7 Q. And for purposes of this discussion,
8 Mr. Marshall, let me represent to you that it is a
9 certified copy. It's my understanding that the
10 typewritten pages are a faithful transcription of the
11 handwritten pages, and I would just ask you to accept that
12 as the case for purposes of this discussion. If counsel
13 has problems with that, I'm sure he can correct me and --

14 MR. STEINER: You're attesting this is a
15 certified copy of the franchise agreement, correct?

16 MR. GIFFORD: It is, or that's how it is
17 presented and that's how it's entered in the record.

18 THE WITNESS: For Kansas City?

19 MR. GIFFORD: Correct.

20 THE WITNESS: The format just looks
21 different than the way this is portrayed.

22 BY MR. GIFFORD:

23 Q. Mr. Marshall, we're looking at Exhibit 402,
24 and without you vouching for knowing every term of it, you
25 do recognize that as the franchise agreement between KCPL

1 and the City of Kansas?

2 A. Generally.

3 Q. And do you -- are you familiar with when
4 that franchise was entered into?

5 A. I believe it was 1881.

6 Q. Do you know if at the time that was an AC
7 or a DC system?

8 A. I wouldn't want to speculate.

9 Q. And if we look at the Section 4 of that
10 franchise, it says in line 4 that the electric company
11 would have laid down two miles of street mains and
12 conductors. Do you see that?

13 A. I do see that.

14 Q. Does KCPL have more than two miles of
15 street mains and conductors in Kansas City right now,
16 Mr. Marshall?

17 A. They do.

18 Q. If you turn to Section 6, will you read
19 that really quickly?

20 A. That when lines or conductors shall run
21 along or through any public park in the City, one light
22 shall be placed in such park free of cost to the City and
23 maintained without expense to the said City.

24 Q. Are you familiar with whether or not KCPL
25 provides free one light in each public park where there

1 are lines?

2 A. I don't know that for a fact.

3 Q. In your testimony, turning to -- on your
4 testimony, I believe it's the top of page 14.

5 MR. STEINER: Which --

6 BY Mr. GIFFORD:

7 Q. I'm sorry. Your surrebuttal testimony,
8 Mr. Marshall. I apologize. Your greatest hits, the top
9 of page 14 of your surrebuttal.

10 A. I'm there.

11 Q. You state that KCPL maintained its rights
12 in the franchise agreement because they provide
13 significant benefits to KCPL's customers?

14 A. That's correct.

15 Q. The City of Kansas is one of KCPL's
16 customers; is that correct?

17 A. Yes, it is.

18 Q. Do you know how big of a customer it is?

19 A. One of our largest.

20 Q. Can you give me largest top five, top ten?
21 I'm not asking --

22 A. I can, but it's either one or two. It's
23 certainly within the top five. Let me put it that way.

24 Q. And KC -- the City of Kansas does want to
25 change this franchise; is that right?

1 A. Yes, they have expressed an interest in
2 that, not only now but in the past.

3 Q. The current franchise between KCP&L and the
4 City of Kansas does not address issues like subordination,
5 does it?

6 A. Not to my knowledge.

7 Q. The current franchise between KCPL and the
8 City of Kansas doesn't address issues like undergrounding,
9 does it?

10 A. Well, the tariffs here in Missouri
11 certainly are operable and cover how we deal with
12 relocation of facilities. Certainly if there's a request
13 of the City or any other party within Missouri, we
14 certainly go by our line extension policies and conduct
15 that. So I would say that there is certain -- certainly
16 rules that we both work through that are part of the
17 Missouri infrastructure.

18 Q. Are you familiar with other franchise
19 agreements that KCPL has with other municipalities and
20 cities?

21 A. Generally.

22 Q. Are you familiar with -- that any of those
23 agreements contain provisions relating to an
24 undergrounding fund, for instance?

25 A. None that I know of that would be contrary

1 to the Missouri requirements.

2 Q. You are familiar with undergrounding funds
3 city may agree to with utilities?

4 A. Is there any specific city you're talking
5 about?

6 Q. You're familiar with the concept?

7 A. Well, it depends. I've worked in many
8 jurisdictions around the country, and there are a variety
9 of line extension policies from state to state, area to
10 area.

11 Q. And finally, Mr. Marshall --

12 MR. GIFFORD: And your Honor, as to the
13 map, I have only offered it for illustrative purposes. I
14 am not sure whether the Commission wants that entered into
15 the record or not or if counsel objects to it being in the
16 record.

17 JUDGE STEARLEY: It's up to you if you wish
18 to offer it.

19 MR. GIFFORD: I'll at this point offer
20 Exhibit 405 for illustrative purposes, not necessarily
21 for --

22 JUDGE STEARLEY: Any objections to the
23 offering of Exhibit 405?

24 MR. STEINER: I'm unclear what he means by
25 for illustrative purposes. I wasn't sure that that was a

1 distinction that could be made. I don't think it's been
2 properly identified by this witness to be admitted as an
3 exhibit as evidence. He said he wasn't sure if that was
4 the right territory. And he said generally he agreed, but
5 I would object.

6 MR. GIFFORD: If KCPL doesn't want it in
7 the record, your Honor, I won't offer it into the record.

8 JUDGE STEARLEY: All right. I'll consider
9 the offering withdrawn.

10 BY MR. GIFFORD:

11 Q. Mr. Marshall, could you take a quick look
12 at Exhibit 406?

13 A. And mine is not marked, so which is 406?

14 Q. It's a Joint Motion and Settlement
15 Agreement between Great Plains Energy, Incorporated,
16 Kansas City Power & Light and Aquila, Inc., for approval
17 of the acquisition of Aquila Inc. by Great Plains Energy,
18 Incorporated.

19 A. I have it.

20 Q. Are you familiar with this document,
21 Mr. Marshall?

22 A. Generally, I am.

23 Q. Were you involved in the negotiation of
24 this document, Mr. Marshall?

25 A. Parts of it.

1 Q. If -- does this -- it is the case that this
2 document settles and stipulates to your application in
3 front of the Kansas Corporation Commission; is that
4 correct?

5 A. It was a global settlement.

6 Q. Is it correct that this settlement
7 contained a quality of service plan as part of the
8 settlement?

9 A. It certainly has service quality metrics as
10 a part of it. I'm not sure if plan is an appropriate
11 terminology.

12 Q. Fair enough. Is -- as you look through
13 Exhibit 406, and please spend as much time as you need,
14 does that look to you like a fair and accurate
15 reproduction of the stipulation and settlement that you're
16 familiar with in Kansas?

17 A. It certainly looks like the actual filed
18 copy.

19 MR. GIFFORD: I would offer Exhibit 406
20 into evidence.

21 JUDGE STEARLEY: Any objections to the
22 offering of Exhibit 406? Hearing none it shall be
23 received and admitted into evidence.

24 (EXHIBIT NO. 406 WAS RECEIVED INTO
25 EVIDENCE.)

1 JUDGE STEARLEY: Mr. Gifford, would you
2 happen to have an extra copy for the Bench?

3 MR. GIFFORD: By all means, your Honor, may
4 I approach?

5 JUDGE STEARLEY: You may.

6 MR. GIFFORD: The City of Kansas has no
7 further questions for Mr. Marshall.

8 JUDGE STEARLEY: Thank you. Now, questions
9 from the Bench, Commissioner Murray?

10 COMMISSIONER MURRAY: Mr. Marshall, I
11 apologize for calling you Mr. Hix, but I've since decided
12 I have no questions for you.

13 THE WITNESS: Thank you.

14 JUDGE STEARLEY: Commissioner Jarrett?

15 QUESTIONS BY COMMISSIONER JARRETT:

16 Q. I just had a quick question regarding the
17 service centers.

18 A. Yes.

19 Q. And it's my understanding from your
20 testimony that the number of service centers currently, I
21 guess between the two companies is five and it's going to
22 be reduced to two. Does that sound about right?

23 A. I don't think that's the total number. We
24 have some plans to consolidate service centers up in the
25 northern end. We'll have five district operations at the

1 end of how we'll actually operate the company. In the
2 northern area we're going to put together three service
3 centers into one.

4 The -- our current operation up there's
5 called Northland, and we're going to consolidate two of
6 Aquila's service centers into that to form one larger one.
7 And then in the center, kind of southeast portion of
8 the -- of our service territory, we're going to combine
9 three areas, our Dodson Service Center, Blue Ridge and
10 Liberty into a single one in Lee's Summit.

11 Q. Okay. And can you just briefly -- I know
12 you outlined in your testimony, but can you just briefly
13 tell me why you believe that -- will that actually improve
14 service or will service remain the same or how will you --
15 how will you -- how do you expect to be able to at least
16 provide the same or better service?

17 A. Well, certainly our expectations is to meet
18 or exceed the current service levels. In fact, we believe
19 the way we run our operations today is superior to the way
20 Aquila runs their operation. We -- we have a very strong
21 service process where we have service resources dedicated
22 24 hours a day to -- to service the territory in terms of
23 outages in the metro area, and by having a larger service
24 center, you have a greater depth of resources.

25 And we believe that by having that greater

1 depth of resources that we can have a higher level of
2 confidence in training of our linemen and technical
3 resources out there to be dispatched whenever the need is
4 to accomplish that. Plus just in the day-to-day
5 construction process, we think we can be able to utilize
6 the resources in a more efficient and effective way to
7 accomplish the goals of our customers.

8 COMMISSIONER JARRETT: Thank you. I have
9 no further questions.

10 JUDGE STEARLEY: All right. Recross based
11 on questions from the Bench. Aquila?

12 MS. PARSONS: No questions.

13 JUDGE STEARLEY: Black Hills?

14 MR. DeFORD: No questions.

15 JUDGE STEARLEY: Ag Processing?

16 MR. CONRAD: No questions.

17 JUDGE STEARLEY: Public Counsel?

18 MR. MILLS: No questions.

19 JUDGE STEARLEY: Staff?

20 RE-CROSS-EXAMINATION BY MR. DOTTHEIM:

21 Q. Mr. Marshall, this might be the source of
22 some confusion. Is there a difference between a call
23 center and a service center?

24 A. There certainly is.

25 Q. Would you please identify what's the

1 difference between a call center and a service center?

2 A. Call center is primarily where we have our
3 customer service representatives that answer phones,
4 handle a broad range of needs from our customers, so they
5 talk with customers directly. Or we have technology that
6 the customer can call in and get information through our
7 voice response systems or other online technologies that
8 give them whatever information or whatever transactions
9 they would like to do with us.

10 A service center is primarily oriented
11 around craft, primarily linemen and metermen and people
12 that are necessary to keep the distribution transmission
13 infrastructure service, so they're more focused on the
14 wires and the outside aspect of the plant.

15 Q. To further follow up on this, if the merger
16 is consummated, will the composite number of service
17 centers between Aquila and Kansas City Power & Light
18 eventually go from 11 down to 5?

19 A. We will have 5 major districts, and then we
20 will have satellites in addition to the main centers, so
21 that we'll have people that are service reps or technical
22 people that will be deployed out through the more low
23 density areas, more rural aspects of the region.

24 Q. And again for clarity, is it that the
25 number of call centers if the merger -- excuse me. If the

1 acquisition of Aquila is consummated by GPE, will the
2 number of call centers go from two down to one?

3 A. It will, and that is predicated on a
4 decision that we made, oh, roughly nine months ago to
5 maintain two customer information systems, essentially the
6 systems that support the telephones representatives,
7 information about customers and customers' inquiries, we
8 will take the best of what Aquila offers and what KCPL
9 has, join those when we have the systems capability, but
10 we'll actually overstaff the call centers in the near
11 term.

12 MR. DOTTHEIM: Thank you, Mr. Marshall.

13 JUDGE STEARLEY: Thank you, Mr. Dottheim.
14 Recross, City of Kansas City?

15 MR. STEINMEIER: Your Honor, I apologize,
16 but I had a couple of questions for the witness on behalf
17 of the city of St. Joseph. I may have missed my turn.

18 JUDGE STEARLEY: I'm sorry. I overlooked
19 you. Didn't notice you were here earlier today.
20 Mr. Steinmeier, you may proceed.

21 MR. STEINMEIER: I had declared my own
22 recess. I thought Mr. Conrad would take longer than he
23 did.

24 MR. CONRAD: I'm sorry. I can try again.

25 RE-CROSS-EXAMINATION BY MR. STEINMEIER:

1 Q. Mr. Marshall, just a couple of things,
2 please. Referring to your surrebuttal testimony, on page
3 16.

4 A. I'm at page 16.

5 Q. Would you read the sentence that begins at
6 the end of line 16 and ends on line 19, please.

7 A. Under the terms, is that where you want me
8 to start?

9 Q. Yes.

10 A. Under the terms of the merger agreement,
11 Gregory Acquisition Corp, a direct wholly owned subsidiary
12 of Great Plains Energy, will be merged into Aquila, with
13 Aquila as the surviving entity, and then in parens it says
14 although Great Plains Energy anticipates it will remain
15 Aquila, close parens, which is KCPL of Greater Missouri
16 Operations is the name of it.

17 Q. Say again, please.

18 A. It's KCPL Greater Missouri Operations is
19 the name that we will be using.

20 Q. And so that is the name that Aquila would
21 use in St. Joseph?

22 A. That's correct.

23 Q. So Aquila will become d/b/a KCPL Greater
24 Missouri Operations?

25 A. We are obligated under the purchase

1 agreement with Black Hills to transfer the name of Aquila
2 to them and cease use of it within six months, so that's
3 our name of our new territories as we think about them
4 being melded into our five district operation capability.

5 Q. Now, there's a temporary two-year extension
6 of the Aquila franchise in the City of Kansas City, but
7 the underlying franchise had, in fact, expired at the end
8 of 2006 and then was temporarily extended for -- until the
9 end of this year?

10 MR. STEINER: I'm going to object to lack
11 of foundation. Are you talking about -- which franchise
12 agreement?

13 MR. STEINMEIER: I thought I said City of
14 Kansas City. I meant to say City of Kansas City. Oh,
15 which -- KCP -- I'm sorry. Aquila's.

16 MR. STEINER: You're talking about City of
17 Kansas City?

18 MR. STEINMEIER: And City of Kansas City.

19 MR. STEINER: All right.

20 THE WITNESS: Restate your question.

21 BY MR. STEINMEIER:

22 Q. Did Aquila's franchise with the City of
23 Kansas City expire at the end of 2006?

24 A. Counsel for Aquila said so.

25 Q. And then was temporarily extended through

1 the end of this year on the same terms?

2 A. I believe that's what she stated.

3 Q. After the merger, should the merger be
4 approved, citizens -- customers in the City of St. Joseph
5 calling a call center will be speaking with a KCPL
6 employee, not an Aquila employee?

7 A. That's correct.

8 Q. Not necessarily an employee of KCPL Greater
9 Missouri Operations, but an employee of KCP&L?

10 A. There will be a single telephone number,
11 and our technology allows us to determine who is actually
12 calling from what location in the service territory. So
13 the way we've organized ourselves within the call center
14 is to allow us to sort that information so that we've got
15 people trained specifically for those customers within
16 Aquila operations today, and so that we can service their
17 needs just like they are serviced today.

18 And then same goes for an existing KCPL
19 employee -- or customer, they call in a single telephone
20 number, then the technology routes them to an agent that
21 has that set of skills and capability and knowledge.

22 And then if technology fails us, which you
23 always have to plan for that, is that we have a group that
24 we've cross trained in the last few months to give us a
25 reservoir of very capable, knowledgeable people in both of

1 those customer information system platforms so that we can
2 answer a call regardless of where it comes from.

3 Q. And tell me how the service center
4 consolidation will affect St. Joseph, please.

5 A. We believe that it will certainly give us
6 the opportunity to service the people in our northern
7 district with a great deal of capability.

8 Q. Will there be a service center in
9 St. Joseph?

10 A. I don't know that specifically, on the
11 short term. We have a witness Bill Herdegen who is up
12 after me talking about synergies that actually runs that
13 business, so I would refer that question to him.

14 Q. And franchise negotiations, for example,
15 between City of St. Joseph and Aquila would actually take
16 place between the City of St. Joseph and Kansas City Power
17 & Light employees acting on behalf of Aquila d/b/a KCPL
18 Great Missouri Operations?

19 A. When that time comes, I would certainly
20 believe that would be the case.

21 MR. STEINMEIER: Your Honor, I'd like to
22 have one exhibit marked.

23 JUDGE STEARLEY: All right. Pick up with
24 Exhibit No. -- let's see. We'll pick up with Exhibit
25 No. 1200.

1 (EXHIBIT NO. 1200 WAS MARKED FOR
2 IDENTIFICATION BY THE REPORTER.)

3 MR. STEINMEIER: Your Honor, at this time
4 I'd like to offer on behalf of the City of St. Joseph
5 what's been marked Exhibit 1200, which is an affidavit by
6 the City Attorney of the City of St. Joseph, Lisa
7 Robertson, simply attesting to certain facts in relation
8 to the City's position on its franchise with Aquila and
9 also attaching a certified copy of Section 13.2 of the
10 City's Charter on the issue of franchise.

11 JUDGE STEARLEY: Okay. Are there any
12 objections to the offering of Exhibit No. 1200?

13 MR. STEINER: Yes, your Honor.

14 JUDGE STEARLEY: Yes, Mr. Steiner.

15 MR. STEINER: I don't have objections to a
16 certified copy of the section of the Charter of
17 St. Joseph, but I do have objection to the second document
18 that's the letter from the City's lawyers. I don't think
19 that we can allow the City to put its position in evidence
20 in regard to franchise issues without me having an
21 opportunity to cross-examine that person, and that appears
22 to be what that letter is. So I would object to the
23 letter, two page letter from, looks like counsel for the
24 City of St. Joseph to Aquila.

25 JUDGE STEARLEY: Your response,

1 Mr. Steinmeier?

2 MR. STEINMEIER: Well, your Honor, first of
3 all, the affidavit is -- really goes to legal issues, not
4 factual issues. The constraints of the City's budget and
5 its necessary conservation of taxpayer dollars prevents it
6 from playing -- having quite the presence in the
7 proceedings that some other parties have.

8 The Commission, of course, is not bound by
9 the technical rules of evidence, and there is sufficient
10 procedural aberrations in this case to fill the
11 Commission's history books for a long time to come. This
12 would prove to be the least of them. But if the
13 Commission has any question about admission of the exhibit
14 at this time, I would encourage you to take the objection
15 with the case and let us argue it in Briefs.

16 JUDGE STEARLEY: Mr. Steiner, any further
17 response?

18 MR. STEINER: Your Honor, I mean, in the
19 affidavit it says they're setting forth the position of
20 the City of St. Joseph, Missouri. I need to be able to
21 cross-examine the person who states that position of the
22 City of St. Joseph, and I don't have that opportunity by
23 them submitting a letter from their lawyer. Even if it is
24 a legal issue, I think all the other parties have
25 submitted a witness as regard to their franchise issues,

1 and I think it's unfair to us to slip St. Joseph's legal
2 issues and factual issues in in this manner.

3 MS. PARSONS: And your Honor, for the
4 record, I have an objection, too, to the affidavit as well
5 as the letter. If these do go to legal issues, there's
6 nothing preventing or precluding Mr. Steinmeier from
7 making these arguments in a prehearing brief or in post
8 hearing brief, and again, Ms. Robertson nor Mr. Vogle are
9 here for us to cross-examine the witness.

10 JUDGE STEARLEY: Mr. Steinmeier, would you
11 like any further response?

12 MR. STEINMEIER: I have argued it in
13 prehearing brief and will in the post hearing brief.

14 JUDGE STEARLEY: The Commission recognizing
15 counsel's position on its limited circumstances will take
16 the exhibit with the case and examine the arguments in the
17 briefing thereafter, and make --

18 MR. CONRAD: Your Honor, in an effort to be
19 helpful, I understood Great Plains' counsel to indicate
20 that they had no objection to the certified copy of the
21 St. Joseph Code and the certificate itself, which would be
22 the last two pages. It might be just a suggestion to
23 assign that a separate exhibit number, since I understand
24 that the objection and discussion has really gone to the
25 first, one, two, three pages of the packet.

1 JUDGE STEARLEY: That's my understanding as
2 well, and it's a good suggestion, Mr. Conrad. We can mark
3 that independently Exhibit 1201.

4 MR. CONRAD: And we would have no objection
5 to 1200 or 1201, just so the record's clear on that.

6 MR. STEINMEIER: I've just given the
7 reporter a copy of just the certified charter.

8 (EXHIBIT NO. 1201 WAS MARKED FOR
9 IDENTIFICATION.)

10 JUDGE STEARLEY: Thank you, Mr. Steinmeier.
11 And let me ask, are there any objections to the admission
12 of Exhibit 1201, just the St. Joseph Code reflecting
13 section 13.2 granting of franchises?

14 MR. MILLS: Judge, just a clarifying
15 question. Are you -- have we marked as Exhibit 1201 both
16 the section of the code and the certification from the
17 City clerk as 1201, so 1201 is a two-page document?

18 MR. STEINMEIER: Yes.

19 JUDGE STEARLEY: Yes.

20 MR. MILLS: Thank you. I have no objection
21 to it.

22 MS. PARSONS: Your Honor, I have just one
23 objection to the code. It seems to be the code in part,
24 and second, it doesn't have any indication of when this
25 code went into effect or if it's been amended, and the

1 certification doesn't indicate that information either.

2 JUDGE STEARLEY: I see a date of 4/1/04 on
3 the bottom left corner of the exhibit.

4 MR. STEINER: I have the same objection.
5 Is this the entire franchise code? I think I would
6 object --

7 MR. STEINMEIER: As is stated in the
8 affidavit, these are sections of the code pertaining to
9 franchises. They were adopted 4/1/04. The certificate
10 from the City clerk states that it is a true and correct
11 copy of this section, and that was as of last Thursday.
12 The city council has not met since Thursday, so I can
13 assure you that it is the current ordinance.

14 MS. PARSONS: Well, your Honor, I mean, I
15 understand what Mr. Steinmeier's saying, but we don't have
16 a witness here to testify as to when the code was amended
17 and the affidavit -- or excuse me, the certification just
18 speaks to Section 13.2. It doesn't speak to whether or
19 not this Article 13 is the entire franchise code, and I
20 think it's prejudicial to incorporate or to admit an
21 exhibit that hasn't been reviewed by counsel.

22 I don't know whether or not there are
23 additional relevant articles or, excuse me, yeah, articles
24 to this code that would be -- that might show that -- I
25 don't know, might show there's been some amendment to

1 13.2. Might show there's some contradictory language to
2 it. I just haven't had an opportunity to review the code
3 to know whether or not this information is prejudicial to
4 my client to be inserted as a piece of obviously something
5 much larger.

6 MR. STEINMEIER: Well, your Honor, I'm
7 confident that if anything significant and material has
8 been left out of this exhibit, learned counsel will point
9 that out in her brief.

10 JUDGE STEARLEY: I am --

11 MR. STEINER: That's the whole reason --
12 why don't you just cite this in your brief and we not make
13 it an exhibit?

14 MS. PARSONS: And I won't have an
15 opportunity to ask a witness whether or not there are
16 other sections to the code that are relevant.

17 MR. CONRAD: Couldn't the Commission take
18 administrative notice of a properly certified segment of
19 Chapter 13?

20 JUDGE STEARLEY: Yes. The Commission can
21 take administrative notice or official notice of that.

22 MR. CONRAD: Counsel hasn't set that up
23 yet.

24 JUDGE STEARLEY: Right. But in addition to
25 that, I'm going to overrule the objections. I believe

1 there's sufficient indicia of reliability for this piece
2 to come in, and the parties can certainly address any
3 contentions they would have with that in their post
4 hearing Briefs.

5 With regard to Exhibit 1200, I am going to
6 take that subject to the parties' objections. They can
7 provide any additional arguments on that in their Briefs,
8 and the Commission can rule on its admissibility in its
9 final Order.

10 (EXHIBIT NOS. 1200 AND 1201 WERE RECEIVED
11 INTO EVIDENCE.)

12 MR. STEINMEIER: Thank you, your Honor.

13 JUDGE STEARLEY: Thank you, Mr. Steinmeier.

14 JUDGE STEARLEY: I believe that brings us
15 back to recross from City of Kansas City.

16 MR. GIFFORD: No questions, your Honor.

17 JUDGE STEARLEY: Any redirect?

18 MR. STEINER: Yes, your Honor.

19 REDIRECT EXAMINATION BY MR. STEINER:

20 Q. Mr. Marshall, I believe counsel for the
21 City of St. Joseph was asking you about a service center
22 employee, if a person in St. Joseph called a KCPL call
23 center after the merger, he would be talking to a KCPL
24 employee. Is that -- do you recall that?

25 A. I do.

1 Q. Do KCPL call centers today deal with
2 multiple jurisdictions?

3 A. We do. We serve, as the map here projects,
4 a large service territory with multiple communities
5 throughout the general area.

6 MR. CONRAD: Excuse me, Judge. Is the
7 witness referring to what was marked but not admitted as
8 305? Does counsel for Great Plains wish to acknowledge
9 now that maybe that should be admitted?

10 MR. STEINER: No. It stands.

11 MR. CONRAD: Well, the witness may need to
12 clarify his testimony because he made reference to an
13 exhibit that isn't in there.

14 MR. STEINER: I'll run the show here, Stu,
15 but thanks for your offer of assistance.

16 BY MR. STEINER:

17 Q. I believe when you were speaking to
18 Mr. Steinmeier, you indicated the name KCPL Greater
19 Missouri Operations. Do you recall that?

20 A. That's -- yes, I do.

21 Q. You will get Commission -- the company will
22 get Commission approval for this name change, will you
23 not?

24 A. We will.

25 Q. Counsel for the City showed you the Joint

1 Motion and Settlement Agreement that was entered into at
2 the Kansas Corporation Commission. Do you recall that?

3 A. I do.

4 Q. What were the reasons why KCPL and Great
5 Plains Energy entered into that Settlement Agreement?

6 A. It was part of a global settlement on all
7 issues.

8 Q. Counsel for the City also indicated that
9 under KCPL's current franchise, it did not address issues
10 like subordination and relocation. Do you recall that?

11 A. I do.

12 Q. How are those issues dealt with today by
13 KCPL?

14 A. Directly through our line extension
15 policies and in accordance with the Missouri requirements.

16 Q. And I believe that counsel for the City
17 also was -- took you through some questions where that
18 terminated with the -- with your acknowledging that after
19 the merger was consummated there would be a franchise for
20 KCPL and a franchise for Aquila. Do you recall that?

21 A. I do.

22 Q. Does KCPL today have experience dealing
23 with multiple franchises in its daily operations?

24 A. We do. We service roughly 70 across the
25 territory.

1 MR. STEINER: Thank you.

2 JUDGE STEARLEY: Thank you, Mr. Steiner.

3 Just want to be sure. Mr. Steinmeier's questions came in
4 a little late. Are there any further questions from the
5 Commissioners?

6 COMMISSIONER MURRAY: No questions.

7 JUDGE STEARLEY: All right. Thank you for
8 your testimony, Mr. Marshall. I believe this is
9 Mr. Marshall's last scheduled appearance.

10 MR. STEINER: That's correct, and I would
11 like to -- I don't have the exhibit numbers, but I would
12 like to offer his direct, supplemental direct and
13 surrebuttal testimony.

14 JUDGE STEARLEY: I believe I have direct as
15 Exhibit 20, surrebuttal -- supplemental direct 21 and
16 surrebuttal as 22. Are there any objections to the
17 admissions of Exhibits No. 20, 21 and 22?

18 MR. CONRAD: Yes. Yes. With respect to
19 the direct, I would respectfully point your Honor to page
20 5 of our motion of November 28. That's a short list. I
21 can read it, but we've been dispensing with that.

22 As to the supplemental direct, same
23 document, page 7, subparagraph R, somewhat longer list
24 there referring to the HC and NP versions, and the basis
25 for both those objections are stated in the Motions for

1 Limine -- or in Limine and as those have been supplemented
2 here verbally last week by yours truly. I understand the
3 process, so we can try to shortcut that.

4 MR. STEINER: Your Honor, I was mistaken.
5 These have already been admitted. I believe his
6 objections's untimely.

7 MR. CONRAD: Well, it seemed to me that we
8 had already made those perhaps but --

9 JUDGE STEARLEY: Okay. I was just
10 reviewing my list as well, and please forgive me because I
11 was not present here during the December portion of this
12 hearing, but I do now see where they were already marked
13 so -- and admitted and received. I am unaware without
14 checking the record for sure to see what objections may
15 have been lodged at that time.

16 MR. CONRAD: Well, at that point the Motion
17 in Limine was the -- was the objection, and that had been,
18 I think that I'm not sure of the sequence either.

19 I can -- I have the transcript here and
20 probably can look it up, your Honor, but certainly the --
21 well, the only thing that's come in after that, I don't
22 think we had identified areas in the second motion with
23 respect to this witness.

24 So I would -- in that sense, I guess I
25 would agree with counsel that if those had

1 not -- had been offered at that point in time, then they
2 were addressed in the Motion in Limine, and that was, as I
3 recall, ruled on verbally from the Bench. May not have
4 been your Honor, but one of the other Honors up there.

5 JUDGE STEARLEY: Thank you for that
6 clarification. Seeing that they have already been
7 admitted, there's certainly no need to --

8 MR. CONRAD: And I agree with that. No
9 need to double up the objection.

10 JUDGE STEARLEY: Right. With that,
11 Mr. Marshall, you may step down, although you're not
12 finally excused at this time just in case the
13 Commissioners should have some additional questions for
14 you. And at this time I'd like to give my court reporter
15 a break and the rest of us, so let's take a break and
16 reconvene in about 10, 15 minutes.

17 (A BREAK WAS TAKEN.)

18 (EXHIBITS NO. 16 AND 17 WERE MARKED FOR
19 IDENTIFICATION.)

20 JUDGE STEARLEY: We are back on the record,
21 and we will be picking up with the service quality issue
22 and the merger synergy savings. Mr. Steiner, Mr. Herdegen
23 is here to testify on both of those issues?

24 MR. STEINER: That's correct.

25 JUDGE STEARLEY: As far as being expedient,

1 does anyone have any objection to him offering testimony
2 on both of those issues once he takes the stand and then
3 be followed by Mr. Schallenberg on the service quality
4 issue?

5 MR. STEINER: That's correct.

6 JUDGE STEARLEY: All right. Very well.
7 You may call him to the stand.

8 MR. COMLEY: Your Honor, while he's coming
9 to the stand, I first want to thank the Commission and you
10 and the parties for allowing the City to have its issues
11 heard early this morning, and to inquire whether or not at
12 this stage both our witnesses, Wayne Cauthen and Bob Hix,
13 can be dismissed and excused for the remainder of the
14 hearing?

15 JUDGE STEARLEY: Mr. Comley, Mr. Hix and
16 Mr. Cauthen may be excused.

17 MR. COMLEY: Thank you very much. Travel
18 plans, et cetera. Thank you very much.

19 JUDGE STEARLEY: All right. Thank you, and
20 we appreciate their testimony. Mr. Herdegen, if you'd
21 please raise your right hand.

22 (Witness sworn.)

23 JUDGE STEARLEY: Thank you. You may be
24 seated. And you may proceed.

25 MR. STEINER: Thank you.

1 BILL HERDEGEN testified as follows:

2 DIRECT EXAMINATION BY MR. STEINER:

3 Q. Mr. Herdegen, did you cause to be filed
4 direct testimony in this case which has been premarked as
5 Exhibit 16?

6 A. I did.

7 Q. And did you also cause to be filed
8 supplemental direct testimony which has been marked as
9 Exhibit 17 although I'll note for the Judge that I think
10 on the official list it's marked as surrebuttal testimony,
11 Exhibit 17.

12 JUDGE STEARLEY: Yes. That's the way it
13 was marked on our list.

14 MR. STEINER: It's actually supplemental
15 direct testimony.

16 JUDGE STEARLEY: That's correct.

17 BY MR. STEINER:

18 Q. Did you cause that Exhibit 17 to be filed,
19 sir?

20 A. I did.

21 Q. Do you have any changes or corrections to
22 your testimony?

23 A. A minor one. It was pointed out to me that
24 I'm a better engineer than English composition major. On
25 page 22 of my supplemental direct, in line 12, the second

1 to the last word of that line says unable. It should be
2 changed to able. So the sentence should read, I believe
3 there is greater value to be derived from the merger than
4 we are able to quantify at this point. That's all I have.

5 Q. Thank you.

6 MR. STEINER: Your Honor, at this time I
7 would tender the witness for cross-examination and
8 questions from the Bench.

9 JUDGE STEARLEY: All right. Thank you,
10 Mr. Steiner. Scan the room here and see who I still have.
11 Cross-examination from IBEW Locals?

12 MS. WILLIAMS: Yes, your Honor.

13 MS. WILLIAMS: We get to be first this
14 time.

15 JUDGE STEARLEY: Yes, you do.

16 CROSS-EXAMINATION BY MS. WILLIAMS:

17 Q. Good morning, Mr. Herdegen.

18 A. Good morning.

19 Q. I'm Jane Williams, and I represent all five
20 of the local IBEWs who are intervening in this case, three
21 of whom are currently KCPL locals and two that are Aquila
22 locals.

23 A. Okay.

24 Q. I have just a couple of questions for you,
25 and I do intend to talk about both topics, to ask you

1 about both topics, and I'll apologize in advance if I tend
2 to move back and forth between the two.

3 A. That's fine.

4 Q. According to your prefiled direct
5 testimony, you are lead of the delivery transition teams,
6 and as such you are responsible for the, quote,
7 integration of Aquila with GPE; is that correct?

8 A. That's correct.

9 MR. STEINER: What line are you referring
10 to?

11 BY MS. WILLIAMS:

12 Q. It's on page 1 of your direct testimony.
13 Actually, I should have -- it didn't say GPE. It says
14 Great Plains Energy, beginning on page 10. Do you have
15 your direct testimony with you?

16 A. Sure.

17 Q. On page 1, beginning on line 10, says, my
18 role includes the recent assignment as lead of the
19 delivery transition teams. Sorry. You don't have it yet?

20 A. Well, I'm looking -- you said page 10?

21 Q. Page 1, line 10.

22 A. I'm sorry.

23 Q. That's all right.

24 A. Page 1, line 10. Correct.

25 Q. I may have said page 10. My role includes

1 the recent assignment as lead of the delivery transition
2 teams responsible for the integration of Aquila, Inc.,
3 Aquila, with Great Plains Energy, Incorporated, Great
4 Plains Energy in parens. Did I read that correctly?

5 A. Correct. Uh-huh.

6 Q. So your responsibilities, these integration
7 responsibilities, did that include integration issues
8 relative to the Aquila and KCPL employees who are
9 represented by collective bargaining units?

10 A. Yes. I've been charged with making sure
11 that we operate across the, what will be the four rate
12 jurisdictions that will be part of Great Plains Energy.

13 Q. I'm just going to restate my question.

14 A. Okay.

15 Q. I'm not certain that you answered it. You
16 may not have understood it. Did your responsibilities,
17 your responsibilities in these roles that were outlined on
18 page 1, line 10, beginning on line 10, do those
19 responsibilities include the integration issues relative
20 to the Aquila and KCPL employees who are represented by
21 collective bargaining units through the IBEW?

22 A. Yes.

23 Q. Okay. Thank you. And did any members of
24 the collective bargaining unit serve on any of those
25 integration teams of which you were in charge?

1 A. I think there was involvement by members of
2 the IBEW. I don't -- I don't know if they were formal
3 members of the team.

4 Q. Involvement in what capacity and in what
5 manner?

6 A. Well, for instance, in our safety, when we
7 looked at trying to come up with a single safety manual
8 that could be used across all of our service territory,
9 we, you know, at KCP&L, that safety rulebook was a
10 collaborative process between the IBEW and management. At
11 Aquila, it was put together by safety professionals, and
12 so when we took a look at how could we merge the -- and
13 come up with a single safety rulebook, we did have input
14 from our locals.

15 Q. Has that safety rulebook been put
16 together -- you're talking, I assume, a safety rulebook
17 that would be a post acquisition --

18 A. Correct.

19 Q. -- safety rulebook for the entire service
20 area?

21 A. That is correct.

22 Q. And has that safety booklet already been
23 put together?

24 A. I believe it has, essentially done, uh-huh.

25 Q. And were you in -- were you personally

1 involved in that aspect of the safety issues?

2 A. Not from the standpoint of going through
3 line by line, putting the book together.

4 Q. Do you believe that there were bargaining
5 unit members who were asked for their input? Is that a
6 fair way to restate what you're saying?

7 A. I believe there was.

8 Q. What are you basing that belief on?

9 A. The fact that we -- when we had a draft of
10 the joint book done, I had instructed a team leader to
11 make sure that they had reviewed this with the -- with the
12 business managers of our locals, and to make sure they
13 were in agreement with it before we started talking,
14 taking down the road to talk with Aquila employees about
15 where we were at in that process, and I was told that that
16 was done.

17 Q. Okay. Thank you.

18 A. Uh-huh.

19 Q. According to Mr. Zabors' testimony last
20 week, I don't know if you were here when he was
21 testifying. Were you, in fact?

22 A. I was here Monday, Tuesday and Wednesday,
23 so --

24 Q. Okay. He testified that the total number
25 of Aquila employees premerger, I believe this is correct;

1 is 1,254?

2 A. That sounds about right.

3 Q. And that following the merger, if it is
4 approved by the Commission, the total number of Aquila
5 employees working for KCP&L will be 843. Is that -- would
6 you have any reason to argue with that number?

7 A. No.

8 Q. Okay. That leaves 411 positions that will
9 be eliminated in some manner --

10 A. Uh-huh.

11 Q. -- post merger. The locals have been
12 assured that there will no union positions eliminated as
13 Aquila employees are integrated into KCP&L. Do you agree
14 with that statement?

15 A. That's correct.

16 Q. So that's to say that none of those 411
17 eliminated positions are union positions; is that correct?

18 A. I want to say that's correct. We
19 eliminated some open positions. I don't believe they were
20 bargaining unit positions at Aquila, but I'm not sure.

21 Q. So understanding that some of those 411
22 positions will come as a result of attrition, other
23 things, to your knowledge, then, if bargaining unit
24 members leave by attrition or otherwise, that those
25 positions would be refilled as opposed to eliminating

1 those bargaining unit positions?

2 A. I think with any company, especially the
3 way I look at my operation and my budget, any time there's
4 an open position that comes open through attrition or
5 retirement, whether it's management or bargaining unit,
6 you always look at -- at the, you know, what are the
7 benefits of replacing -- replacing that position, you
8 know, is it still needed, does it need to be moved to a
9 different location because there's a greater need
10 somewhere else. So there's an analysis process that I
11 wouldn't say yes or no, but in general, we would probably
12 replace the positions.

13 Q. Okay. So I just want to clarify then that
14 those 411 positions that we already know are going to be
15 eliminated --

16 A. Right.

17 Q. -- to your knowledge, none of those are
18 bargaining unit positions?

19 A. Correct.

20 Q. And what about any assurances that the
21 company can give the bargaining units that that will
22 remain the same two years from now, do you have -- are you
23 aware of any plan by KCP&L to eliminate any of those
24 position two years from now?

25 A. I'm not aware of any.

1 Q. Five years from now?

2 A. That's a long time.

3 Q. It is a long time. I'm asking if you are
4 aware of any current plans to eliminate positions in the
5 future?

6 A. No.

7 Q. Okay. Thank you. Are you aware or do you
8 foresee --

9 A. Excuse me. Can I just back up to be
10 technically correct?

11 Q. Certainly.

12 A. With one of our projects, the automated
13 meter reading project, that will displace existing --
14 existing positions. Some of those are nonunion at Aquila
15 right now. They could be union going forward, but those
16 would be reduced upon implementation of AMR.

17 Q. And when precisely do you expect full
18 implementation of AMR?

19 A. Well, I think AMR will roll out over a
20 number of years, but we anticipate an aggressive rollout
21 in what we consider to be the expanded metropolitan part
22 of Kansas City in 2000 -- probably 2009 and into 2010.

23 Q. Thank you for that clarification. Are you
24 aware or do you foresee any situations where current
25 Aquila bargaining unit employees when integrated with

1 current KCP&L bargaining unit employees would be
2 recategorized in management positions?

3 A. I think that there's some discussion that
4 is going -- that will be going on with the five locals
5 that will determine which positions in the company may
6 be -- may be converted from union to management and which
7 ones may be converted from management to union in a new
8 organization. So I think there's a discussion going both
9 ways on that.

10 Q. Give me specifics of which positions might
11 be union employees becoming management employees, what
12 kinds of positions would those be.

13 A. I would -- not wanting to negotiate on the
14 stand --

15 Q. Certainly.

16 A. You know, we've looked at a couple of --
17 couple of positions. We've also gone the other way.
18 We've expressed our interest to the -- to the IBEW of
19 converting the nonunion call center at Aquila to a union
20 call center.

21 Q. Those nonunion call center employees are
22 not currently management, though, are they?

23 A. I refer to anybody that's not a member of
24 the collective bargaining agreement as a management person
25 or you could call them a nonunion person.

1 Q. So I don't believe I heard you say any
2 specific positions, then, other than the call center
3 employees that would go from being union employees to
4 management employees, did I?

5 A. No, because I respectfully, you know, wish
6 to continue to negotiate that with the members of the --
7 of the locals.

8 Q. And I respect that, Mr. Herdegen. I do.
9 However, I'm just wondering what those discussions might
10 involve. What positions those discussions might involve?

11 A. Well, I think that -- I'm trying to give
12 you an explanation without giving away my negotiating
13 strategy, if you would.

14 Q. Okay. I respect that.

15 A. We have -- Aquila has -- has a certain
16 amount of design work that they do with graduate engineers
17 in a process that we find to be superior to what we do at
18 Kansas City Power & Light with an entirely union work
19 force, and one of the things that we would like to do
20 is -- is negotiate a -- a situation where we could bring
21 over graduate engineers and not have them be part of the
22 IBEW.

23 Q. Okay. Thank you for that. Would that
24 recategorization, that or others that you may consider,
25 put into the synergy savings that are expected from this

1 merger?

2 A. In the -- in the T and D area, a lot of
3 synergy savings come from the elimination of redundant
4 middle level and upper management positions. As I just
5 corrected in my testimony, I think there are a number of
6 efficiencies that will be gained as we continue to move
7 forward that will be quantifiable but we have not
8 quantified those as part of the testimony.

9 Q. Okay. Thank you. According to your direct
10 testimony on page 3, if you would look, beginning at line
11 5 --

12 A. Uh-huh.

13 Q. -- I -- you testified in response to that
14 question beginning on line 5 that Aquila's employees will
15 become KCPL employees and KCPL will operate both
16 distribution systems, meaning both companies' distribution
17 systems, I assume --

18 A. Correct.

19 Q. -- is that correct?

20 A. Uh-huh.

21 Q. Is it your understanding, then, that as
22 KCP&L employees, these previously Aquila employees will be
23 operating under the terms of their current contract until
24 KCPL has the opportunity to negotiate with the
25 representative union?

1 A. That is correct. We're in negotiations
2 right now with the five locals. In addition, the
3 international IBEW is acting as facilitator in those
4 discussions.

5 Q. When you say you're in negotiations with
6 the five locals, are you talking about actual reopening
7 contract negotiations? How would you quantify the kind of
8 negotiating you're doing right now?

9 A. I think we're looking for a collaborative
10 process that would allow us to determine how you move from
11 two locals at Aquila that are geographically based and
12 three locals at Kansas City Power & Light that are process
13 based and figure out how you can operate, you know, with
14 the operating efficiencies you're looking for after day
15 one.

16 Q. So I'd like to explore that a little bit.

17 A. Sure.

18 Q. It's been well documented in much of the
19 testimony from KCPL that KCPL's preference would be for
20 the five locals to become three, and in fact, in the joint
21 application it specifically says that KCPL's preference
22 would be for the two current Aquila locals to merge into
23 the three current KCP&L locals; is that correct?

24 A. I think that's been stated as our
25 intention.

1 Q. Does that remain KCPL's intention?

2 A. I think in our discussions with the five
3 locals and with the international IBEW, we have been --
4 well, it's been stated that the international IBEW is
5 supportive of the direction we're going to go; however,
6 that there is -- is -- there are a number of things that
7 we need to work out amongst the locals, for instance,
8 wages, benefits, seniority, things like that.

9 Q. Who with the international organization did
10 you feel represented the international support for KCPL's
11 intention?

12 A. My original conversations were with Lindell
13 Lee who was the vice president of the 11th District and is
14 now secretary/treasurer of the International IBEW. I
15 continued those discussions with Curt Henke, who is the
16 new 11th District vice president.

17 Q. In any of your discussions with Mr. Henke
18 or Mr. Lee, did you understand the international position
19 to be that they are requesting that all five locals remain
20 autonomous and solvent?

21 A. There have been -- there was a number of
22 initial options and proposals that were kicked around by
23 all of us, and where we currently are is still believing
24 and I think that is the belief by -- by majority of the
25 parties that moving to three process based locals would

1 make the most sense in operating across the varied
2 territory.

3 Q. I'm not sure that you answered my question.

4 A. Okay.

5 Q. Do you recall hearing from any of the
6 international representatives you talked about, Mr. Henke
7 and Mr. Lee --

8 A. Right.

9 Q. -- that the international's preference or
10 that there was a request being made that all five would
11 remain autonomous?

12 A. Early on, I did hear that.

13 Q. Okay. Then you -- then is it your
14 testimony today that you have since then heard from
15 different people from the international or from the same
16 people a different opinion?

17 A. I think that in my discussions with those
18 same people, that they have expressed support in where we
19 want to go.

20 Q. Okay. Thank you. Let's talk a little bit
21 more broadly now about the integration of all of the field
22 employees and the synergies that the company believes will
23 be realized based on the integration of all those
24 employees. Which synergies specifically, if you can talk
25 specifically about what synergies you believe will be

1 realized by combining those two work forces in general?

2 A. Well, there's a lot of synergies I call
3 benefits. There are cost benefits to not having two
4 directors of engineering, two vice presidents of
5 distribution, things like that. So we talked about some
6 of those, and many of those are quantified in the -- in
7 the testimonies that have been filed for distribution,
8 transmission, customer service.

9 In addition to that, the synergies that
10 really -- that are driven in the operating areas are
11 safety, reliability, customer satisfaction, those types of
12 things.

13 Q. So are you testifying, then, that -- my
14 question was specific to the field employees as opposed to
15 management. So are you testifying that those three things
16 you mentioned, for instance, safety, reliability and
17 customer service, how is safety, how is the integration of
18 the field employees going to impact the safety -- the
19 synergies relating to safety?

20 A. Sure. There's a lot to be gained by having
21 a common set of rules for safety and operations. When I
22 came to Kansas City Power & Light seven years ago, we
23 operated both sides of the state line differently. There
24 was a separate set of people that worked on the Kansas
25 side versus Missouri. They had a little different

1 mapping, they had a little different operations, and yet
2 we were operating in a unified metropolitan area.

3 After the fatality that we had in 2001, one
4 of the outcomes of that was the fact that it did really
5 bring to the forefront the differences in how we were
6 operating in a contiguous service territory. So a lot of
7 work and effort was done to come up with a common set of
8 rules so that we could work consistently around the
9 metropolitan area, and that is -- the impact of that has
10 driven our incident rate to world -- well, not quite world
11 class levels yet. We're getting there. But obviously
12 Tier 1 levels. We've been -- and that's been a
13 collaborative partnership with the IBEW.

14 So as we look at going forward adding
15 additional contiguous service territory, we would see that
16 the experience that we had in eliminating injuries to our
17 workers in the metropolitan area of Kansas City Power &
18 Light could be expanded to the service territory as a
19 whole.

20 Q. And how much of that -- and I recognize
21 that safety isn't necessarily a synergy savings issue, but
22 how much of the synergy surrounding the safety issues
23 would you say is dependent upon the total integration of
24 the five local IBEWs into three?

25 A. I think it's -- I think it's very relevant,

1 you know, while -- while we don't talk about wanting to
2 quantify the dollar savings and not having people injured,
3 I think it goes right to the heart of what I talked about.
4 If you're not operating in a consistent manner across
5 contiguous boundaries, then you open yourself up to bigger
6 problems.

7 Q. So are you suggesting that if there were
8 five locals, there might be five sets of safety rules?

9 A. There could be different jurisdictional
10 issues, and that limits how much -- how much interaction
11 you can have between -- between those particular locals.

12 Q. I'm not sure I understood your answer. Can
13 you --

14 A. Okay. Because you have geographically
15 based locals right now --

16 Q. Right.

17 A. -- they have a -- they have a
18 responsibility for managing the work within their service
19 territory. So, for instance, Trenton, Missouri is part of
20 Local 814, even though it's contiguous to the 695 Local of
21 the old St. Joe service territory. So you see -- you
22 know, right now you see very little interaction except for
23 emergency purposes between those two geographic areas.
24 That has a tendency of utilizing -- not utilizing
25 resources in a -- in a more efficient way.

1 If I could, when we -- when we eliminated
2 the boundary called the state line, not only improved
3 safety, but what happened is when we managed our work
4 better across the different entities that were contiguous,
5 we found that we could reduce overtime by 19 percent and
6 reduce the reliance on contractors by 23 percent. So
7 getting back to your question, when you have a -- you have
8 geographically based locals versus processed based locals,
9 it makes it difficult to extract that synergy of
10 efficiently working on all of the work that is proposed.

11 Q. Isn't it true, though, that you -- KCP&L
12 intends to create districts, I believe they're geographic
13 districts, north, south, east, like that, and those
14 geographic entities will, in fact, cross even the
15 current -- the current KCPL bargaining units because they
16 are by -- by job description --

17 A. Uh-huh.

18 Q. -- you're already crossing boundaries with
19 all of those, isn't that true?

20 A. Well, in the example I mentioned with
21 Trenton, Missouri, we're not changing the boundaries of
22 Trenton, the Trenton service center, but it is being
23 overseen by a -- by a manager that would be located in
24 St. Joseph, Missouri that would manage that office, the
25 St. Joseph office, the Maryville office and the Trenton

1 office. So from that standpoint, you're -- you know,
2 you're managing multiple entities, I guess is the best way
3 of saying it.

4 Q. And I guess my point would be, if you agree
5 that you're already managing multiple entities as it
6 stands, this would be a little bit different type of
7 multiple entity --

8 A. Uh-huh.

9 Q. -- you're already managing city to city,
10 other geographic areas to other geographic areas; is that
11 correct?

12 A. That is correct.

13 Q. Okay. How about the reliability synergy
14 issue? You mentioned that second.

15 A. Uh-huh.

16 Q. How does the reliability synergy depend
17 upon the integration of all the field employees?

18 A. We have gotten recognized for our emergency
19 response plan. It's been developed and evolved over --
20 over many years, which allows us to quickly respond to an
21 emergency anywhere in the service territory in any of the
22 rate jurisdictions and makes sure we are dealing
23 efficiently and effectively with that.

24 Now, you can say that synergy, if I can
25 reduce the length of a storm, a major storm by a day, you

1 know, if we just look at the December storm that Aquila
2 had, the ice storm was terrible especially up in the St.
3 Joe area and took whatever it was, nine days. I think I
4 remember my Aquila counterpart telling me that they spent
5 on average about a million and a half dollars a day.

6 So if you have a better integrated work
7 plan for responding to those type of emergencies, then you
8 can -- and you can clip or save one day of restoration or
9 two days of restoration, you can begin to see that it does
10 have a financial impact in addition to the customer
11 satisfaction impact of reducing the amount of time people
12 are out of service.

13 Q. How does the integration of the five locals
14 into three affect that particular synergy of reliability?

15 A. Well, in the -- in the metropolitan area,
16 we have a 24 by 7 trouble operation that is a three-shift
17 that respond to any emergent customer issues, and that's
18 very similar to major metropolitan areas around the
19 country, St. Louis, Chicago, New York, Boston, things like
20 that.

21 Aquila right now has responders that
22 respond from home. So if there's a problem, you call
23 them, they may have their truck at home, and they have to
24 respond. In the metropolitan area, just because of its
25 nature, we have found that it's much more efficient to

1 have a 24 hour service for the metropolitan areas. When
2 we look at the -- the outlying areas or the more rural
3 areas, we operate very similar to -- to Aquila. We have
4 service centers that, you know, house the construction
5 folks when they show up for their daily assignments and
6 meter readers.

7 But we also have local reps. I think
8 Aquila calls them servicemen. And they have a specific
9 little geographic area that they're the first responder
10 for. So they take their truck home, and if there's a call
11 in the middle of the night from one of their neighbors,
12 basically they get in their truck and they respond to
13 that. So in the rural areas, you don't see as big of a
14 change as you will see in the metropolitan area.

15 Q. And my question being, how do you foresee
16 the total integration of the five locals into three as
17 affecting that reliability issue? I'm not sure that
18 you've answered that question?

19 A. Well, partly I talked a little bit about
20 how we respond to normal outages. The other thing would
21 be in response to the consolidation of the service centers
22 in the metropolitan area. I think, as was mentioned
23 before, we have three service centers in the north part of
24 the Kansas City area that we want to consolidate into one,
25 and the same thing on the -- on the -- in the south end.

1 In order to do that, it would be very difficult not having
2 all of the linemen, say, in -- represented by one local to
3 have multiple locals housed in the same show up, perhaps
4 even sharing duties on the truck.

5 Q. Okay. Thank you. And how about customer
6 satisfaction? That's another synergy you mentioned. How
7 does the consolidation -- or the -- I'm sorry, integration
8 of the field employees affect the synergy related to
9 customer satisfaction?

10 A. Well, when we deal with JD Power for our
11 customer satisfaction, the top four drivers, first is
12 price and value, are people getting a value for what
13 they're paying for. Second is reliability. Third is
14 timely and accurate information. And fourth is options,
15 and options being the type of customer service options as
16 far as how to pay their bill and things like that.

17 So when I look at it from the T and D
18 standpoint, I'm looking at if I improve reliability, I'm
19 going to improve customer satisfaction, and if I can
20 improve the timely -- timely and accurate information that
21 I get from the field, you know, during cases of an
22 emergency, I can improve customer satisfaction. So again,
23 it goes to when -- by having all the linemen represented
24 by a single local, it helps me to make more efficient use
25 of their skills and abilities no matter where they're

1 needed in the distribution system.

2 Q. Let me back up just a minute to the
3 integration of those employees, and how does the company
4 intend -- or can you speak to how the company intends to
5 handle seniority issues within the employees?

6 A. Well, seniority is -- is a responsibility
7 of the IBEW. What we have stated is that we -- our
8 expressed -- we've expressed that we would want whatever
9 they come up with to be fair to all employees, so that a
10 lineman with 25 years of experience at Aquila has equal
11 rights to the -- a lineman at Kansas City Power & Light
12 with 25 years of experience.

13 I think we're getting very close to that.
14 We just settled -- we just came up with a new agreement
15 with our linemen local that will change the way they look
16 at seniority from the lineman standpoint, which will make
17 it much more convenient for discussions with the other two
18 locals. So I -- you know, I think that's the big one. We
19 are -- it's more of a union issue. We we're just kind of
20 there as the conscience, making sure that everybody is
21 treated fairly.

22 Q. So is the company, it sounds to me like,
23 perceiving it more as company seniority as opposed to
24 facility seniority?

25 A. Well, I think that there's a number of

1 options that can come into play. We had certain cases on
2 our system where we had seniority that was by
3 classification, so when you became a lineman. But there
4 could be incumbency rights so that all the people
5 currently at this particular service center had rights
6 before somebody else, you know, that would want to work at
7 that service center, and those are the things that the
8 five locals are going to be working through.

9 Q. And so the company's perspective on that
10 issue is that it will go along with whatever the unions
11 decide because you see that as a union issue?

12 A. Well, I think we're a party to the
13 discussions.

14 Q. Right.

15 A. I would say that from a -- the seniority
16 standpoint -- I apologize. I lost my train of thought.
17 If it comes back to me, I'll let you know.

18 Q. Okay. Thank you. I think the question, if
19 that might help you, is what the company's role would be?
20 You have said it's a union issue. You've said you're just
21 there to make sure things are fair. Is there any more
22 that you have to say about the company's position with
23 regard to the seniority issue?

24 A. I think one of the things that we've
25 injected into the discussion is that, as I've gone around

1 to the service centers from both companies just talking to
2 employees, seeing what's important to them, I did -- I did
3 get input from employees from both companies that said,
4 you know, I like -- I like that Lee's Summit area, is
5 there an opportunity for me to be able to go there, or
6 someone from Aquila saying, you know, I'd really like to
7 work in Johnson County, Kansas.

8 So part of what we would want as part of
9 that -- part of that negotiated agreement is not just the
10 fact that, you know, your seniority in your craft carries
11 with it a certain amount of rights, but it also opens the
12 door for mobility and providing more opportunities for
13 employees of both companies. I guess that's probably the
14 best way to say it.

15 Q. Okay. Thank you. I'd like to direct your
16 attention to your supplemental direct testimony now, if I
17 might.

18 A. Sure.

19 Q. And on page 3 of that supplemental
20 testimony --

21 A. Okay.

22 Q. -- the paragraph beginning on line 15.

23 A. Okay.

24 Q. That paragraph tends to discuss near the
25 bottom of that paragraph the critical need for utility

1 workers and, in that regard, the advancements in the
2 training by both KCP&L and Aquila?

3 A. Uh-huh.

4 Q. Regarding linemen and staffing of linemen
5 currently, is either Aquila or KCP&L currently operating
6 with a shortage of linemen?

7 A. I believe that there is a nationwide
8 shortage of linemen. We at Kansas City Power & Light
9 identified this issue about six years ago. We revamped in
10 collaboration with the locals. Our training process is a
11 Department of Labor certified apprenticeship. And we've
12 ramped up the number of apprentices and thus qualified
13 linemen that have come out the other end of that after the
14 four-year apprenticeship. That's allowed us to reduce the
15 age of our craft area from 46 to 41, something like that,
16 where the average age of a lineman in the United States is
17 50.

18 Aquila had -- utilizes a higher percentage
19 of contract labor to supplement their existing work force.
20 I believe in discussions with them that they have in the
21 last year ramped up the apprenticeship opportunities that
22 they provide. We believe that the apprenticeship program
23 that we've put together will meet the needs of both
24 companies, and to that point we have had discussions with
25 the International IBEW about locating a joint partnership

1 between the IBEW and Kansas City Power & Light, a joint
2 training center in the Kansas City area because of the
3 strength of the apprenticeship program that we put
4 together.

5 Q. So in response to my question, is KCP&L
6 currently working with a shortage of linemen?

7 A. Well, it depends who you ask. If you asked
8 our business agent, he's going to say we're woefully
9 short. I would say that we are under where we want to be.
10 We do have a five-year game plan for our staffing levels
11 to get to a point where we think is an optimum level for
12 Kansas City Power & Light. We're in the process of taking
13 a look at that same process for Aquila and what we will
14 need to manage all of work across the four rate
15 jurisdictions that we're going to take care of.

16 Q. Maybe this is a more fair way to ask that
17 question: Do you anticipate post merger, if the
18 acquisition is approved by the Commission, do you
19 anticipate hiring additional linemen post merger?

20 A. Absolutely.

21 Q. How soon do you foresee that you'll be able
22 to do that?

23 A. Well, we're doing it right now. We
24 just -- at Kansas City Power & Light we just launched our
25 preapprenticeship program, and they just turned out,

1 graduated into the apprentice program last week. So I
2 have had discussions with our -- with that training
3 department subteam, and we're in the process of figuring
4 out not only to add, you know, as we go into the beginning
5 of 2009, how do we increase the capability of that -- that
6 force, but also to be able to take into account other
7 entities that may have found our training program to be
8 superior.

9 For instance, we do have a municipal that
10 has expressed interest in sending two of their apprentices
11 to train in our apprenticeship program. They would pay
12 their way, and we see that as a synergy of being able to
13 offset some of our costs.

14 Q. Do you anticipate any kind of a hiring
15 freeze immediately post merger?

16 A. Perhaps for executives, but I would think
17 that -- we look at what is the -- what is the staffing
18 requirements we need to meet the needs of our customers.
19 And so as we continue to see an aging work force, we
20 continue to see people that are going to retire and move
21 on to the next stage of their life. I do not see in
22 certain very specific craft areas a freeze of any type in
23 the foreseeable future.

24 Q. Okay. Thank you. I would like to direct
25 your attention still in the supplemental direct testimony

1 to page 11. It talks about the service center locations
2 and issues surrounding those --

3 A. Uh-huh.

4 Q. -- beginning on line 1, on page 11, your
5 testimony is that following -- and I'll paraphrase a
6 little -- following your evaluation of your approaches,
7 that decisions have already been made surrounding service
8 center locations. Was that paraphrased adequately?

9 A. Yes.

10 Q. And part of that decision, part of those
11 decisions involves union employees that will be reassigned
12 in a more balanced approach to the new combined customer
13 base? That may not be a direct quote, but it's on line --
14 through lines 3 and 4.

15 A. Okay.

16 Q. How will those reassignments be determined?

17 A. Well, I think reassignments are -- for
18 instance, we've talked in previous testimony about
19 eliminating the Liberty and Platte City offices. They're
20 small service centers that Aquila operates right now, and
21 bringing those people into our Northland facility, which
22 is a fairly good sized facility in North Kansas City.

23 So the reassignment would be as we close
24 Liberty with people that worked there, their union
25 employees would probably move to work out of our Northland

1 facility. We -- in the -- in the other districts outside
2 the metro area, I know that last week we had a job mapping
3 meeting with Local 695. Went very well, and what I've
4 been told is that we found that there were very few places
5 where we were far apart as far as, okay, what do you call
6 a meterman over here versus what is do you call it at
7 Kansas City Power & Light, so that we're operating with a
8 single set of job titles and salaries and benefits and
9 things like that.

10 So I think what they're finding, especially
11 in the rural districts is that there is not a big gap and
12 I suspect that that will come together fairly quickly. I
13 think the only thing that we'll be looking at in the metro
14 area is people that are -- because Aquila does not have
15 the 24 by 7 trouble department, will be the discussion
16 with -- with Aquila linemen to see who, if any, would want
17 to become part of that 24 hour trouble department as
18 opposed to how they operate today.

19 Q. I believe you're referring to the fact you
20 mentioned earlier that the Aquila people take their trucks
21 home. Is that what you're talking about --

22 A. Right.

23 Q. -- the way they operate currently as
24 opposed to your 24/7?

25 A. Correct.

1 Q. KCPL's 24/7 approach?

2 A. Uh-huh.

3 Q. So it sounded to me like you were then
4 testifying that your discussions would involve whether or
5 not the linemen wanted to make that change as opposed to
6 it being a -- an edict?

7 A. Part of the collaborative process would be
8 to see where do we need people. Do we have volunteers?
9 If you don't have volunteers, sometimes the seniority
10 process will dictate who ends up being forced to manage a
11 particular shift and things like that. It's a little
12 early in that discussion for us to see if there are, you
13 know, a lot of gaps between where people prefer to work
14 and where the need is.

15 Q. In a part of your testimony a little bit
16 later, you do talk about -- at the top of page 12, you
17 talk about the first responder issues specifically to the
18 Kansas City, what you are calling the Kansas City
19 district. We didn't get into the specifics of the
20 districts yet, but that is the testimony at the top of
21 page 12. And you state there that those first responders,
22 quote, in the further reaches of the Kansas City districts
23 end quote, will continue to take their trucks home?

24 A. Yes. We've decided that the 24 by 7
25 trouble department has a very definitive boundary. We're

1 looking at the major -- what's considered the major
2 metropolitan area, that's covered by the same media and
3 things like that. When you get north of -- north of
4 Platte City, it becomes rural very fast, and to run a
5 trouble truck all the way up there, you know, from the
6 Northland facility could be -- could not be as efficient.
7 So our intention is to look at establishing some of the --
8 what we call local reps. Again, Aquila calls them
9 customer -- or servicemen. They would take their trucks
10 home and respond to problems in those geographic areas of
11 the rural areas.

12 Q. And specifically you talked about the
13 further reaches of the Kansas City district, but I don't
14 see any reference to this in any of the other districts
15 that you discuss in your testimony. Are there other
16 districts, the more really, really rural districts, that
17 your intentions are the same with regard to first
18 responders?

19 A. No, because the way our rural districts
20 operate is very close to how Aquila operates. They have a
21 service center, and we're not closing any of the service
22 centers in the rural areas, in addition to the service
23 centers, they have people that are responsible for a
24 geographic area in addition to those service centers, and
25 we are looking at not reducing any of those.

1 Q. Which service center are those specifically
2 that you --

3 A. Ah, a test?

4 Q. No.

5 A. In our north district would be St. Joe,
6 Maryville. I think there's also a very small one in Mound
7 City and Trenton. The east district would be the Aquila
8 Henrietta service center, the Marshall service center,
9 which is Kansas City Power & Light, and Sedalia, which is
10 an Aquila service center, and then the southeast district
11 would be Warrensburg, Clinton, and Nevada.

12 Q. That was very good. Thanks.

13 A. Well, we set them up -- we set up the rural
14 districts in groups of three. Tried to balance customers
15 so that, you know, one district -- you know, didn't have
16 an overabundance of customers to deal with, so we tried to
17 balance customer base as well as geographic area.

18 Q. Further down in that paragraph we were just
19 discussing at the top of page 11, beginning on line 6 you
20 discuss -- I'm sorry, on line 7, redefining the role of
21 district manager. Can you explain that redefinition?

22 A. Sure. As I said before, you know, about
23 six years ago Kansas City Power & Light went from being
24 geographically based on each side of the state line to a
25 very process based organization , and that's very similar

1 to what many utilities across the country have done in
2 order to drive efficiencies and cost savings. So when you
3 have a process -- so that -- for instance, all of the line
4 construction organization, it's -- it's executed locally
5 at a service center, but the work is controlled centrally,
6 and that's so that you can manage the highest priority
7 work no matter where it's at, gets the right attention.

8 One of the things that we have realized in
9 talking with the customer base in the Aquila service
10 territory is that there's a very important focus that they
11 don't want to lose, specifically in the St. Joseph area
12 and in the Warrensburg area.

13 And so what we've done is create a district
14 manager role in addition to all the process managers that
15 will be responsible for being intimately in tune with the
16 needs of the communities that we serve up there and the
17 large customers that we serve up there to make sure that
18 as we are -- are determining our program of work, we're
19 taking into account the impact that those local
20 communities leaders feel are important.

21 Q. So the districts -- I'm sorry. The
22 district manager position, how does that -- how does what
23 you just told me differ from what is currently the
24 district manager's position, other than the boundaries?

25 A. At Aquila or at Kansas City Power & Light?

1 Q. Either one.

2 A. Right now we have -- since we have a
3 process focus, if I institute a change in procedure, then
4 it's driven through all those different organizations.
5 Same thing with fleet, same thing with materials
6 management, and there really -- it really is blind to the
7 geographic area.

8 It's more just focused on, you know, the
9 priority of work, whether it's a worse performing circuit
10 or some other thing that's causing us to invest in the
11 operation, and that works very well, however, because
12 Kansas City Power & Light based in Kansas City had such a
13 strong influence from the City of Kansas City and our
14 focus had been up to now Kansas City, we felt to make sure
15 that we balance and we don't ignore the needs of some of
16 these other areas, that we wanted to put a fairly high
17 level manager in these -- in these communities so that
18 they would not lose their voice, if you will.

19 Q. And does the Aquila, the current Aquila
20 organizational structure have those in those districts
21 currently, those managerial positions?

22 A. As I understand it, Aquila is still very
23 geographically based, so they would have local -- a local
24 manager that would be responsible for the operation
25 locally. The problems that we see with that is you don't

1 get the benefit of the entire process of pushing through
2 and completing the priority of work because you're --
3 because you have limited resources in a geographically
4 based entity. So it's -- you know, it's kind of a
5 combination of the two.

6 Q. That you're proposing?

7 A. That we're proposing.

8 Q. And currently they do have geographical --
9 Aquila has geographical leaders, management?

10 A. Right.

11 Q. Thank you. Okay.

12 MS. WILLIAMS: I think I'm almost finished,
13 your Honor. I know it's lunch time. I think I'm just
14 about finished.

15 BY MS. WILLIAMS:

16 Q. Your testimony on page 11 further down
17 discusses, of course, the -- the closing of several
18 service centers in the Kansas City district. Going from
19 11 service centers in the Kansas City district, what KCPL
20 has defined as the Kansas City district down to six --

21 A. Correct.

22 Q. -- and am I correct that the five that will
23 be closing --

24 A. Four.

25 Q. -- are -- no. 11 to 6.

1 A. Okay. 11 to 6. I'm with you.

2 Q. Would be Platte City, Liberty, Belton?

3 A. No.

4 Q. Not correct? What are the five that would

5 close?

6 A. We were looking at closing Platte City and

7 Liberty and merging those into or absorbing those into our

8 Northland. Then we were going to build a new service

9 center in the -- right now we're looking in the Lee's

10 Summit area because we feel it's the central point of the

11 fastest growing part of that part of the metro area and

12 absorb our Dodson and the two smaller Aquila service

13 centers of Lee's Summit and Blue Springs. So I think

14 we're only closing four. Something in our math is a

15 little off.

16 Q. So what about Dodson, is that also closing?

17 A. That will be closed, so maybe that's the

18 one.

19 Q. And those -- I just want to be clear.

20 Those are the five, then, Platte City, Liberty, Blue

21 Springs, Lee's Summit and Dodson that are within the

22 geographic --

23 A. What we call metropolitan, or Kansas City

24 district.

25 Q. Kansas City district, is that correct?

1 A. That's correct.

2 Q. So then your testimony continues on page
3 12, beginning on line 5, talking about -- well, the east,
4 southeast, south and north, and in that paragraph you
5 address the south district?

6 A. Correct.

7 Q. And there is no discussion in that
8 paragraph, unless you can point me to it, regarding the
9 continued operation of the service centers in that
10 district?

11 A. Well, it's because the -- our Kansas
12 operation is really not impacted at this time by this
13 joint application, the two existing service centers there
14 Paola and Ottowa, would continue as well as the local --
15 local rep, you know, positions.

16 Q. Do your service center employees cross
17 state lines?

18 A. On occasion.

19 Q. So the closing of service centers in that
20 district, for instance, might impact the Missouri
21 employees if they were to have to cross the state line?

22 A. Theoretically.

23 Q. Okay. The north district, which is just
24 the next sentence beginning on page 8, is discussed then,
25 and is mainly known, as it says there, the St. Joseph,

1 Maryville, Mound City, Trenton, Missouri area, and again,
2 there is not a discussion there about what might be closed
3 in that area?

4 A. No.

5 Q. Is there a plan to close any of the service
6 centers in that area?

7 A. No.

8 Q. Okay. Do you foresee any circumstances --
9 do you currently foresee any circumstances that might
10 cause the closure of any of these service centers in the
11 north district?

12 A. No.

13 Q. Okay. Moving on to the east district then,
14 it says that the current service centers will continue to
15 operate in this area?

16 A. Yes.

17 Q. Do you foresee any circumstances under
18 which any of those might close?

19 A. Only if we need to build a new one.

20 Q. So short of needing to build a new facility
21 for some reason, those facilities in the east district
22 will all remain open?

23 A. Correct. Uh-huh.

24 Q. And the southeast district, at the bottom
25 of that page, states again that those service areas will

1 remain operational.

2 A. Yes.

3 Q. Can you foresee any circumstances leading
4 to the closure of any of those?

5 A. No.

6 Q. No circumstances whatsoever?

7 A. No.

8 Q. Back up to the top of page 12, if you
9 would, we were talking again about the Kansas City
10 district and the first responders and the ability to have
11 their trucks to speed response. And where it says these
12 areas, beginning on line 2, Buckner, Drexel, Adrian will
13 continue to see this dedicated service in the new combined
14 company, and then it says, this service will be extended
15 to the areas of Platte City and Weston. So the words,
16 this service, in that last sentence, does that refer to --
17 is that the Kansas City district?

18 A. No. I think what is intended to be
19 conveyed by that is the fact that the service being what
20 we call a local representative, which takes their truck
21 home and they are to respond in a certain geographic area
22 to any issues that might come up as a first responder for
23 that geographic area.

24 So as I said before, in most of those rural
25 operations we're -- we're not intending to stop or close

1 any of those facilities, but we did see with the
2 establishment of the new metro area that there could be
3 two additional local rep positions that we would add to
4 service the areas north of Platte City.

5 Q. So the meaning of the words, this service,
6 does include the first responders taking their trucks
7 home?

8 A. Correct. Correct.

9 Q. I just wanted to clarify that sentence.
10 Okay. Just for a moment I want to bring us back to the
11 issues surrounding the integration of the Aquila
12 bargaining unit employees as KCP&L employees, and
13 regarding the placement of those employees, the current
14 Aquila employees at different service centers. Are you
15 familiar with the term accretion?

16 A. I have been apprised of it by our labor
17 attorney.

18 Q. Okay. What's your understanding, then, if
19 you have one, of circumstances that lead to accretion?

20 A. My understanding is that if there isn't an
21 integration of two work groups such that they are so
22 integrally involved to the point where they could -- they
23 could share the same truck or they could work on the same
24 job, things like that, that the -- at that point in time
25 that the members of the -- of the incoming or absorbed

1 people would immediately become members of the existing
2 local.

3 Q. So you've just testified that you couldn't
4 foresee any circumstances where KCP&L would need to close
5 additional service centers; is that correct? Is that your
6 correct testimony?

7 MR. STEINER: I believe he said he
8 currently couldn't anticipate.

9 BY MS. WILLIAMS:

10 Q. Currently couldn't anticipate any; is that
11 correct?

12 A. Correct.

13 Q. Would you anticipate that circumstances
14 might arise where service centers would be closed for the
15 purpose of causing accretion to occur in other service
16 centers?

17 A. I would say that is not the -- that
18 wouldn't be the intent of why we're doing things. As I
19 said, when you look in the rural areas, service centers
20 are situated because of their geographic proximity. You
21 draw a circle around -- you know, so many miles around
22 each one and that pretty much tells you, yeah, they're
23 in -- probably in the right spot. As you get closer to
24 the City, when you have three service centers within ten
25 miles of each other, just from efficiency purposes it just

1 doesn't make sense to operate three different service
2 centers in that closely -- in close proximity to each
3 other.

4 Q. I believe that the answer to my question
5 about whether or not service centers would be closed for
6 the purpose of forcing accretion, I believe you said no;
7 is that correct?

8 A. Right.

9 MS. WILLIAMS: I think that's all the
10 questions I have.

11 JUDGE STEARLEY: Thank you, Ms. Williams.
12 Cross-examination, City of Kansas City?

13 MR. COMLEY: No questions.

14 JUDGE STEARLEY: Ag Processing?

15 MR. CONRAD: We don't have any questions,
16 your Honor.

17 JUDGE STEARLEY: Public Counsel?

18 MR. MILLS: I really just have a couple.

19 CROSS-EXAMINATION BY MR. MILLS:

20 Q. Mr. Herdegen, I believe you testified in
21 response to a question by Ms. Williams that you -- post
22 acquisition would anticipate an aggressive rollout of
23 automated meter reading in Aquila metro areas; is that
24 correct?

25 A. That's correct.

1 Q. Is an aggressive rollout of automatic meter
2 reading a capital intensive project?

3 A. There is a significant amount of capital
4 that is associated with that project.

5 MR. MILLS: Thank you. That's all I have.

6 JUDGE STEARLEY: Thank you, Mr. Mills.
7 Staff?

8 MR. DOTTHEIM: Yes. I don't know if this
9 is a point at which you want to take a break, because I do
10 have questions, a fair amount.

11 JUDGE STEARLEY: Okay. Well, if the other
12 parties don't have any objection and Mr. Herdegen doesn't
13 mind returning to the stand after lunch, we can break for
14 lunch at this time.

15 THE WITNESS: That will would be fine.

16 JUDGE STEARLEY: Mr. Mills?

17 MR. MILLS: That's okay with me.

18 JUDGE STEARLEY: We will go back on the
19 record at approximately 1:45.

20 (A BREAK WAS TAKEN.)

21 JUDGE STEARLEY: We are back on the record
22 with Mr. Herdegen on the stand. It's time for Staff's
23 cross-examination. Mr. Herdegen, you're reminded that
24 you're still under oath.

25 THE WITNESS: Yes, your Honor.

1 CROSS-EXAMINATION BY MR. DOTTHEIM:

2 Q. Good afternoon, Mr. Herdegen.

3 A. Good afternoon.

4 Q. Mr. Herdegen, your April 2007 direct
5 testimony, which is Exhibit No. 16, indicates you're an
6 employee of KCPL, does it not?

7 A. That's correct.

8 Q. You're still an employee of KCPL?

9 A. Yes, I am.

10 Q. You're not an employee of GPE?

11 A. My checks -- my check says Kansas City
12 Power & Light on it.

13 Q. Okay. Have you ever been a GPE employee?

14 A. No, sir.

15 Q. Are you testifying today on behalf of KCPL?

16 A. I never looked at it that way. As an
17 employee of KCPL, I've been charged with managing the
18 distribution system across the four rate jurisdictions.
19 So from that standpoint, I guess I'm here on behalf of
20 Kansas City Power & Light.

21 Q. Are you testifying today on behalf of GPE?

22 A. To the extent that Kansas City Power &
23 Light is part of the holding company of Great Plains
24 Energy, I would expect so.

25 Q. Are GPE and KCPL separate entities?

1 MR. STEINER: I'm going to object that it
2 calls for a legal conclusion.

3 MR. DOTTHEIM: I think Mr. Herdegen has
4 been making these types of determinations earlier this
5 morning in his testimony. I think he can answer the
6 question if he knows.

7 JUDGE STEARLEY: I'm going to overrule.
8 Mr. Herdegen, you can answer that question to the extent
9 that you know the answer.

10 THE WITNESS: Could you repeat the
11 question, sir?

12 BY MR. DOTTHEIM:

13 Q. Do you know whether GPE and KCPL are
14 separate entities?

15 A. I believe they are.

16 Q. Mr. Herdegen, are you billing any of your
17 time for this assignment to GPE, that is your assignment
18 in this case?

19 A. We -- I fill out time sheets like most of
20 the daily workers do, and the time that I spend on
21 integration activity is collected separately.

22 Q. And when you say it's collected separately,
23 what do you mean by it's collected separately?

24 A. I report how much time I spend on doing
25 integration activities versus what I spend doing work with

1 regard to our Kansas rate jurisdiction and Kansas City
2 Power & Light.

3 Q. And your integration activity, how is that
4 charged? Is that charged to GPE or KCPL or in some other
5 manner?

6 A. I don't know.

7 Q. Mr. Herdegen, do you know whether KCPL and
8 GPE have any agreement requiring you to provide services
9 to GPE?

10 A. I'm not aware.

11 Q. Mr. Herdegen, I'd like to refer to you --
12 refer you to your direct testimony, which is Exhibit 16.

13 A. Okay.

14 Q. I'd like to refer you in general to page 4.

15 A. Uh-huh.

16 Q. Where on page 4 you -- you make reference
17 to GPE's plans in connection with safety and training, do
18 you not?

19 A. Yes, I do.

20 Q. Do you know what safety and training
21 programs exist at GPE?

22 A. They in essence are the plans that are put
23 together at KCPL and approved from the holding company
24 standpoint.

25 Q. So KCPL's performance and plans regarding

1 safety and training comprise GPE's safety and training
2 efforts?

3 A. I believe so.

4 Q. Mr. Herdegen, by your testimony, are you
5 indicating that KCPL does not experience workplace
6 accidents or fatalities?

7 A. No, I'm not saying that.

8 Q. KCPL did experience two workplace
9 fatalities in the last year, did it not?

10 A. No, sir.

11 Q. Did KCPL experience workplace fatalities at
12 the Iatan plant in May of last year?

13 A. Yeah. I'm sorry. I was -- I was reviewing
14 the safety performance of the T and D system. Yeah, there
15 was two fatalities at the Iatan plant last year.

16 Q. Do you know whether Aquila experienced any
17 workplace fatalities last year, in the last year?

18 A. I don't believe so.

19 Q. On page 4 of Exhibit 16, I'd like to refer
20 you to lines 21 and 22 where you make reference to a
21 benchmarking process. Will KCPL and Aquila be benchmarked
22 to the better performance of the two companies?

23 A. I'm trying to look at the context of the
24 question. I think our approach overall is that if there's
25 best practices that are in place at both companies, we

1 want to -- want to combine the best efforts of both
2 companies going forward. I think that's what this had
3 entailed to represent.

4 Q. I'd like to refer you to page 7 of
5 Exhibit 16, and in particular lines 6 through 13, if you'd
6 take a look at those lines, please.

7 A. Yes, sir.

8 Q. Okay. Has the evaluation been completed
9 that you refer to on lines 11 through 13?

10 A. Yes.

11 Q. What were the results of that evaluation?

12 A. For budgeting purposes for next year, I
13 believe that we are -- I don't have the numbers handy, but
14 the incremental tree trimming for Aquila was estimated to
15 be about 3 million a year for the next five years. We
16 think based on the best work practices that we have
17 employed over the last few years, that we can reduce the
18 incremental spend on the Aquila system by about 30 percent
19 or about 2 million a year.

20 Q. And on what basis do you think or is it
21 thought that the incremental spend could be reduced by
22 30 percent?

23 A. We have an external expert in the field,
24 Environmental Consultants, Inc., or ECI, that manages our
25 existing tree trimming program. They're well recognized

1 in the industry.

2 What we had them do, I think towards the
3 end of last year, was to do a walk down of the entire
4 Aquila service territory from a vegetation management
5 point of view and determine based on -- and determine what
6 we would need to do based on our techniques and our proven
7 performance and apply that to what Aquila's currently
8 doing, including how many tree trimmers they have
9 currently employed, and then determining from that what we
10 would need incrementally to basically do the same thing.

11 Q. Does that mean that what will be done on a
12 going-forward basis will be less than what Aquila was
13 previously doing prior to the acquisition by GPE, assuming
14 the acquisition is consummated?

15 A. No. I think that what -- what we intended
16 to say is, taking into account the new vegetation
17 management rules that were adopted by the Commission,
18 taking that into account and looking at the fact that we
19 manage to improve reliability of the circuit as opposed to
20 incenting contractors to trim for the sake of trimming,
21 that we find we can be much more efficient in providing
22 the clearances that we need on the schedules we need to
23 abide by and still reduce our costs.

24 Q. This study or evaluation that was
25 performed, did that result in any change in the KCPL

1 budget or prospective program?

2 A. The vegetation management rules that were
3 adopted by the Commission I believe we felt would add,
4 it's somewhere in the one and a half million dollars a
5 year range to our existing program because of the extra
6 clearance require-- or the extra cycle requirement that
7 was contained in those rules.

8 Q. I'd like to direct you to page 11 of
9 Exhibit 16, your testimony on automatic meter reading,
10 which you've been directed to earlier today. Does KCPL
11 have a study that shows the cost impact on Aquila of the
12 plans for automatic meter reading utilization in the
13 Aquila service territory on a going-forward basis,
14 assuming GPE's acquisition of Aquila?

15 A. We looked at a business case for these
16 large projects, AMR was one, the consolidation of the
17 service centers was another one, in which we looked at
18 what is the cost, what are the anticipated benefits in
19 both labor, labor savings, as well as other values that
20 can be derived from AMR. And we see over the five-year
21 period a net positive synergy of about \$4.7 million, I
22 believe.

23 Q. I'd like to direct you to page 12 of
24 Exhibit 16, lines 8 to 10, where you make reference to
25 Great Plains Energy providing assistance to Black Hills

1 Corporation. How is GPE going to provide assistance to
2 Black Hills?

3 A. There will be a service agreement between
4 the two companies that will provide some transition
5 services until such time as Black Hills can separate and
6 be independent on their own.

7 Q. Does that service agreement presently
8 exist?

9 A. I've not been directly involved in the
10 negotiation of it, but I believe that, if it doesn't
11 exist, it's very close to being done.

12 Q. Do you know who has been working on that
13 service agreement?

14 A. I know that -- I know that Todd Kobayashi
15 from our company. I know that Jim Albers from Aquila had
16 been part of those discussions. Other than that, I
17 couldn't tell you.

18 Q. If that service agreement exists, do you
19 know whether it's been provided to the Staff or not?

20 A. No, I don't.

21 Q. Do you know the number of Aquila employees
22 that provide service to Aquila's Missouri operations?

23 A. I don't know the number offhand.

24 MR. DOTTHEIM: At this time I'd like to
25 have marked for purposes of identification an exhibit, and

1 Judge, if you could help me by identifying for me the last
2 Staff exhibit number, I would appreciate it.

3 JUDGE STEARLEY: I believe the last for
4 Staff that I have is Exhibit 130, so we should be at 131.

5 MR. DOTTHEIM: Staff Exhibit 131 will be a
6 four-page document of certain pages that were provided to
7 the Staff in response to the Staff discovery in this
8 proceeding.

9 (EXHIBIT NO. 131 WAS MARKED FOR
10 IDENTIFICATION BY THE REPORTER.)

11 BY MR. DOTTHEIM:

12 Q. Staff Exhibit No. 131 is again a four-page
13 document. It's the cover page identified as question
14 No. 0342, response to Schallenberg interrogatories,
15 question No. 0342, please provide copies of all documents
16 that GPE, KCPL, Aquila and their representatives provided
17 to Mr. Zabors during the period January 1, 2006 through
18 December 1, 2007.

19 Response: Documents received by Mr. Zabors
20 from January 1, 2006 through September 17, 2007 will be
21 sent on CD as they are too large to load into EFIS. The
22 CD will contain 169 documents considered highly
23 confidential and 273 public documents.

24 Attached to the page that I just read are
25 three of those documents, and I'm looking to see if the

1 three pages that are attached are indicated as being
2 highly confidential, and I'm not seeing that designation.
3 But the -- well, Mr. Zabors, have you had a chance to take
4 a look at what's been marked as Exhibit 131?

5 A. You mean Mr. Bill Herdegen?

6 Q. Excuse me. Mr. Herdegen. I'm sorry. I
7 apologize.

8 A. Yes, I have, sir.

9 Q. Okay. And if I could direct you to the
10 page 1 attached to the cover page, current KCP&L
11 organization model.

12 A. Yes, sir.

13 Q. The chart, flowchart, there is a box that
14 has delivery. Delivery is your organization, is it not?

15 A. I represent for the purposes of integration
16 the distribution, customer service and transmission part
17 of it.

18 Q. Which is part of delivery?

19 A. Yes, sir.

20 Q. Okay. So the distribution, and you said
21 customer services part of delivery?

22 A. Right.

23 Q. And would that identify the number of
24 employees, full-time employees for those organizations?

25 A. It looks about right, I'm sure. It's

1 probably varied a little bit from -- it looks like this
2 was based on June 10th of '07 numbers. So it's probably
3 varied a little bit, but essentially it's correct.

4 Q. And if I could direct you to the second
5 page, which has across the top current Aquila Missouri
6 allocated staffing map to KCPL organizational entities.
7 If I could direct you to the column, the box delivery, and
8 underneath that there's bullets for distribution and
9 customer operations, are there not?

10 A. Yes, sir.

11 Q. Do you recognize those numbers that are
12 represented for Aquila Missouri?

13 A. I would assume that they're generally
14 correct.

15 Q. I'd like to direct you to the third page
16 that has at the top total utility operations of KCP&L,
17 paren, N-E-W-C-O, close paren, on day one, and direct you
18 to the column that has the box delivery and underneath it
19 the bullets distribution and customer service. Do you see
20 that column and those bullets?

21 A. Yes, sir.

22 Q. And does it indicate that for total utility
23 operations, Kansas City Power & Light on day one after the
24 consummation of the acquisition of Aquila, the total
25 number of employees for distribution would be 1,011 and

1 for customer service would be 259?

2 A. The one thing that this chart doesn't take
3 into account is the number of transitional employees that
4 will be retained on day one to assist with the transition.
5 These would be referring to the permanent positions going
6 forward.

7 Q. Okay. And when you say these would be
8 referring to the permanent positions, would that be the
9 1,011 for distribution and the 259 for customer service?

10 A. That is correct.

11 Q. And the transitional employees that you
12 referred to, by transitional, what -- could you explain a
13 little more what you mean by transitional?

14 A. We mentioned after Ms. Kremer from Staff
15 came out in September and talked with us about her
16 concerns in the customer service area going forward, we
17 took a lot of that input to heart. We decided instead of
18 trying to be aggressive and combine customer service
19 operations or CIS systems on day one, that we would
20 maintain two systems. We would add an additional 12 call
21 center representatives to take into account the fact that
22 there will be a lot of -- an increased call volume during
23 this transition period. Because of the fact that we would
24 be operating two customer information systems on day one
25 for a period of time, we were going to add another 18

1 people to handle some of those additional cross --
2 cross-jurisdictional questions.

3 We cross-trained a number of other people.
4 So there actually is going to be about 42 additional
5 people on day one in customer services to take into
6 account the fact that we want to make sure that there's --
7 extra conservative, if you will, to make sure that service
8 doesn't degrade on day one.

9 Q. What are the present plans for how long
10 those transitional individuals will be in the employ of
11 Kansas City Power & Light?

12 A. In our synergy savings, we showed a zero
13 synergy savings in customer service for this year and a
14 very small amount for next year. We anticipate that it
15 would be at least a year before the calls start dying
16 down, people kind of get used to the new phone numbers and
17 the new operation. So after that point, they would be --
18 we would begin to attrite them from the work force.

19 Q. Was I correct in referring to them as
20 Kansas City Power & Light employees?

21 A. Yes, sir.

22 Q. Mr. Herdegen, do you know the number of
23 Aquila employees who will or have not been offered
24 employment with GPE/Kansas City Power & Light?

25 A. I don't know the total number.

1 Q. Do you know the number for distribution and
2 customer service?

3 A. As I mentioned earlier, I know that we were
4 eliminating 99 positions, and I know that about 50 of
5 those were unfilled positions. All of the offers that we
6 are going to make have been made, but I do not know the
7 actual number of people that did not receive an offer from
8 us.

9 Q. Do you know whether, assuming the
10 transaction is authorized and is consummated, whether
11 prior Aquila employees, subsequently Kansas City Power &
12 Light employees will be providing service to Missouri
13 customers at a reduced force level?

14 A. You would have to be a little more specific
15 about which areas you might be interested in. We would
16 reduce the administrative and middle management areas.

17 Q. In total, would service be provided to the
18 Missouri service territory, combined service territory of
19 Kansas City Power & Light and Aquila at a reduced force
20 level after the consummation of GPE's acquisition of
21 Aquila?

22 A. I think we will have less total people
23 providing the same or better service, yes.

24 Q. There will be a reduced number of field
25 service personnel, will there not?

1 A. All of the -- all of the bargaining
2 employees are coming over day one. So most of the
3 reductions are either in some admin or, you know, clerical
4 type that would be redundant or middle managers or senior
5 manager types.

6 Q. Mr. Herdegen, I'd like to refer you to your
7 supplemental direct testimony, which is Exhibit 17.

8 A. Yes, sir.

9 Q. I'd like to refer you to page 7, in
10 particular lines 5 through 12, where you make reference to
11 current supplier alliance partner relationships.

12 A. Yes, sir.

13 Q. Could you identify what are the supplier
14 alliance partner relationships to which you are referring?

15 A. Sure. A few years back we wanted to take a
16 look at improvements that we could make in our supply
17 chain process. We had had several contracts or
18 relationships that had gone on for 15 years, had been
19 single sourced, and not had been competitively bid for a
20 long time.

21 What we did at that time was we put
22 together a cross-process team from across the company, so
23 that would be the engineering standards people,
24 purchasing, other stakeholders, and we put in an RFP
25 process, request for proposal out. We competitively bid

1 areas such as tree trimming, transformers, cable. And
2 based on that cross-process review, we selected a supplier
3 or a group of suppliers to provide competitive -- for
4 competitive purposes, sometimes more than one supplier, to
5 provide us with terms, terms and conditions and product.

6 So based on -- and those were entered into
7 as typically three-year contracts, which is why we call
8 them longer term partnerships, with the idea being that
9 once the -- once the supplier was selected through this
10 process, we wanted to set up quarterly meetings with these
11 partners to continue to look at ways we could drive value
12 out of the supply chain.

13 So in some cases it could be the supplier
14 coming to us saying we could reduce some of our cost or
15 some of our inventory by allowing them to manage the
16 inventory for us since they probably have a better idea on
17 what we use than we do just because that's their business
18 for that particular piece of equipment.

19 Other suppliers have come and set up
20 consignment areas for us. So, for instance, on poles, we
21 own none of the poles in our inventory. They sit there on
22 our property, but they're consigned, so they're owned by
23 the manufacturer. We pay for them as they're being used.
24 So it helps reduce our carrying costs for supplies and
25 materials.

1 So it's kind of with that concept that we
2 have set up partnerships with some of these suppliers so
3 that we can continue to come back and continue to push,
4 you know, where else can we add value or save costs.

5 Q. This partnership, does KCPL have this
6 relationship with multiple suppliers for a single product,
7 or it just one supplier per product?

8 A. In some cases it's one. For instance, in
9 transformers, because of the nature that, you know, some
10 are more specialized in power class transformers, some are
11 more focused on pad-mount transformers versus overhead, so
12 we have multiple contracts for the transformer business.
13 For poles, you have one supplier.

14 Q. Even in the case with transformers where
15 there are multiple suppliers, is it in actuality a single
16 source because of the uniqueness of transformers, each of
17 the suppliers supplies unique transformers, as opposed to
18 having multiple suppliers who provide a fungible
19 transformer?

20 A. I'm not 100 percent sure, but I would think
21 generally you would be correct that we'd have one supplier
22 for the overhead transformers and one supplier for the
23 underground, but they were based on a competitive bidding
24 process that was open to any manufacturer in that
25 category.

1 Q. Does Aquila have a comparable process?

2 A. I'm not as familiar with Aquila's
3 procurement, but I would suspect that they do something
4 similar.

5 Q. What are KCPL's obligations to the supplier
6 under the supplier alliance partner relationship?

7 A. Other than the purchasing of the project
8 from them during the course of that -- course of that
9 contract, it's -- it's really the responsibility of the
10 company to continue to work with them to drive
11 improvements, whether that's improvements in contract
12 terms or improvements in price or just overall value.

13 Q. Are these contracts in essence or in fact
14 sole course contracts?

15 A. No, because sole source contracting in my
16 definition would be I decide I want to purchase something
17 from company X, and I enter into an agreement that may be,
18 I would say, based on here's my reasons, I want this
19 person, they have this contract. That's not what this is.
20 This was a multi-process review of all competitive players
21 in that particular market, and they settled on the one
22 that was providing the best overall value.

23 Q. Does the supplier alliance partner
24 relationship give KCPL priority over the supplier's other
25 customers?

1 A. I believe so. I know in a number of
2 instances during storms, in fact, when we have a pending
3 storm, we contact these alliance partners, is what we call
4 them, and we put them on notice. They'll be on standby.
5 They'll have shipments ready for us that they do not do
6 for other companies because of the long-term relationship
7 that we've put in place with them.

8 Q. I'd like to refer you to page 8 of
9 Exhibit 17, lines 21 and 22. You testify, do you not,
10 that KCPL will work to leverage better unit prices across
11 the entire system due to the added volume, do you not?

12 A. Yes, sir.

13 Q. Does this effort on the parts of KCPL
14 result in lower revenues for KCPL's suppliers?

15 A. Well, one point of clarification. The
16 sentence you referenced was in response to our focus on
17 streetlighting. But in general, I think your comment is
18 do we anticipate that a bigger -- while we hope to get
19 some better pricing, some of our suppliers may end up with
20 more revenue because they may not be doing business with
21 Aquila at the time or vice versa. So we're looking at how
22 do we leverage our increased spend across the multiple
23 rate jurisdictions that we manage and be able to get the
24 best prices and overall value for our customers.

25 Q. I'd like to direct you to page 11 of

1 Exhibit 17, and I think we had with Ms. Williams this
2 morning quite a bit of discussion about the service
3 centers, and I think you added clarity about the
4 discussion of the closing of service centers, in
5 particular going from 11 to 6 was in particular in the
6 Kansas City district, was it not?

7 A. Correct.

8 Q. And the services center, the five that are
9 being closed, is that a combination of Aquila and KCPL
10 service centers or just Aquila?

11 A. The one at the south end would be closing
12 of both.

13 Q. And the decision to close these service
14 centers was based upon a study or some analysis?

15 A. It was based on a review by the sub team
16 looking at how many people were currently situated at
17 these different ones in relation to the radius of the
18 geographic boundary covering -- covered by that service
19 center and looking at how we could leverage that to
20 provide more efficient service.

21 Q. Is there an actual study that exists, a
22 written study?

23 A. I don't know if there's a written study.
24 There's probably work papers.

25 Q. I'd like to refer you to page 14 of

1 Exhibit 17, lines 1 to 14.

2 A. Yes, sir.

3 Q. Where you state, I believe that KCPL will,
4 I think, benchmark. Will KCPL bench the reliability
5 metrics at the combined level for Aquila and KCPL or at
6 the better level of either KCPL or Aquila?

7 A. I think for industry benchmarking purposes,
8 we -- the way benchmarking groups work is you use the
9 entire company. However, we have, in previous
10 conversations with the Staff, have agreed that we will
11 continue to report reliability based on rate jurisdiction.
12 We can break it out for you going forward.

13 Q. Well, when you say you can break it out for
14 us going forward, what does that mean to you? Could you
15 be more explicit?

16 A. That means that for the rate jurisdictions
17 that we're talking about, I maintain reliability data
18 based on that. I mean, I have reliability data at the
19 customer level, so you can slice and dice it just about
20 any way you like.

21 Q. I'd like to refer you to page 20 of
22 Exhibit 17.

23 A. Yes, sir.

24 Q. Line 23 where you make your first reference
25 to the JD Power survey. Do you know whether a company has

1 to pay to be included in the -- in a JD Power survey?

2 A. There's a national syndicated survey that
3 they do once a year, which normally is late spring. They
4 will survey all of the customers for the, whatever it is,
5 the 78 utilities in the United States, and those are
6 published.

7 What you don't get unless you purchase
8 that, you don't get the underlying detail that builds up
9 to an overall satisfaction level. So if I didn't pay it,
10 they would say the customer satisfaction level for Kansas
11 City Power & Light is X, and if I want to say, well, what
12 areas did we do better in? No, you need to pay me if you
13 want to see the underlying data.

14 Q. What do they make Kansas City Power & Light
15 pay and a yearly basis for that information?

16 A. I don't have knowledge of that number.

17 Q. Do you know who would?

18 A. It just shifted. Kevin Bryant, who has
19 testified here, is responsible for the relationship with
20 JD Power.

21 Q. I'd like to refer you to page 21 of
22 Exhibit 17, and I'd like to direct you to the chart on the
23 top third of the page which has the heading Key Customer
24 Service Metrics, and I'd like to direct you to the line
25 that has the heading Commission Complaints, and then

1 underneath it KCPL, paren, total complaints received,
2 close paren, and I'd like to refer you to the column 2006.

3 And in comparing 2006 with the other years
4 that are shown, do you know what was the cause or causes
5 for the rise in complaints received at the Missouri
6 Commission in 2006 regarding KCPL?

7 A. I don't have a detailed breakdown, but my
8 estimation is that it's due to the increase in credit and
9 collection, credit and collection area of the company.

10 Q. And why would there be an increase in
11 complaints due to the credit and collection area of the
12 company?

13 A. I'm trying to think if that's -- I'm trying
14 to identify when we ramped up some of our collection
15 activities. I think during that period of time we
16 experimented with not collecting in the field. So in
17 other words, in the past we would collect in the field and
18 someone could keep their lights on.

19 We thought that we were enabling customers
20 too much that way, and that if we stopped collecting in
21 the field, that customers would be a little more diligent
22 in paying on time and then avoiding us having to send
23 somebody out.

24 Based on some of the backlash from that,
25 not only from customers but from our employees who felt

1 that they should be more empowered to be able to collect
2 in the field and resolve this situation, we went back to
3 reestablishing a policy of allowing them to collect in the
4 field.

5 Q. And as a result of that policy, are you
6 saying that you think that is the reason for the increase
7 that's shown in the number of complaints?

8 A. Yes, because when we wouldn't collect from
9 them in the field, they decided to voice their opinion.

10 Q. Would you happen to know -- for the column
11 2007, there's only a partial year. Would you happen to
12 know offhand what the number of complaints was for 2007?

13 A. No.

14 Q. I'm not asking you --

15 A. It's in my briefcase, but I don't know.

16 Q. I'd like to direct you to page 22, lines 1
17 and 2, where you say, we are committed to communicate
18 those issues and work with Staff to ensure the best
19 possible outcome. Can you be more specific?

20 A. When we had discussions with Staff and they
21 raised their concerns about the -- about concerns of
22 performance degradation because of a transition due to the
23 integration of the two entities, we suggested a number of
24 things.

25 One is that we offered to host Commission

1 Staff coming out on a regular business to sit with us and
2 talk through anything that might come up that was either
3 unexpected or caused by something beyond our control. For
4 instance, you know, if we have a tremendous ice storm, a
5 lot of the call center metrics are going to be severely
6 impacted by just the sheer volume that you get.

7 So I don't think it was -- we had
8 identified anything that we were anticipating. It was
9 more of by having regular meetings with Staff, that we
10 could mitigate any unexpected things that come up.

11 Q. Mr. Herdegen, Kansas City Power & Light
12 doesn't presently offer any customer guarantee or customer
13 promise program regarding provision of service, does it
14 not?

15 A. I think there was a program in the past. I
16 don't think it exists any longer.

17 Q. What do you refer to -- I use the term
18 customer guarantee, customer promise programs. What do
19 those terms mean to you?

20 A. A customer promise program to me would be
21 to be able to deliver something when we say we're going
22 to. So, for instance, we say we're going to be at your
23 new home to install your new service on day X, we're there
24 on day X.

25 Q. Is there something more than just the

1 verbal promise? Is there -- is there something to the
2 guarantee or to the promise in those types of programs
3 that you're aware of?

4 A. I'm not aware of any at this time.

5 Q. Mr. Herdegen, you're familiar with the
6 Edison Electric Institute?

7 A. Yes, sir.

8 Q. Do you know whether anyone associated with
9 Great Plains Energy or Kansas City Power & Light sits on
10 the board of the Edison Electric Institute?

11 A. I know we are involved in a number of the
12 committees. I don't know the board makeup.

13 Q. Mr. Herdegen, in your time at Kansas City
14 Power & Light, has your group produced any savings or
15 improvements in its operations?

16 A. I think there's been voluminous
17 improvements that we've made, starting with the
18 reorganization that we did in 2002 and 2003 to go from
19 geographic based to process based, as I mentioned to
20 Ms. Williams this morning. We've implemented a lot of
21 distribution automation that built off of the investments
22 we've made in our AMR and Cellnet. We were the first
23 utility to be able to leverage our wireless system to
24 control and monitor the effect of capacitors which
25 regulates voltage on the system. That reduced the need to

1 send maintenance workers on an annual basis to inspect
2 physically all of those.

3 We did the same thing for the underground
4 networks in downtown Kansas City and on the Plaza in which
5 we eliminated some severe specific safety incidents in
6 operating that were a result of five deaths back in 1963.
7 But more importantly, by having -- using the same wireless
8 technology, we were able to monitor and control our
9 network and operations, and that had many benefits to
10 avoid outages to our customers in downtown Kansas City and
11 on the Plaza.

12 A very specific example during the Sprint
13 Center construction, workers had put a number of pallets
14 of material on top of the grating that ventilates the
15 vault. We were getting an alarm because of the
16 temperature in the vault was going up. And had we not
17 known that, it probably would have led to a failure of
18 that equipment, which would have meant an outage,
19 additional expense for us to replace it.

20 You know, I can go on and on. We have a
21 number of those types of things that we have done to drive
22 costs. In the area of vegetation management, as I said
23 before, by focusing on reliability and productivity and
24 restructuring the contracts that we had, we were able to
25 increase the line miles trimmed by 90 percent and reduce

1 costs at the same time by 20 percent. So we do have a
2 history of trying to continually improve our operation.

3 Q. I take it, then, your answer to my question
4 is that --

5 A. I'm sorry. The answer would be yes.

6 Q. -- in your time at Kansas City Power &
7 Light, your group has produced savings?

8 A. Yes, sir.

9 MR. DOTTHEIM: If I could have a moment,
10 please. Oh, and I'd like to offer into evidence
11 Exhibit 131.

12 JUDGE STEARLEY: Any objections to the
13 offering of Exhibit 131?

14 (No response.)

15 JUDGE STEARLEY: Hearing none, it shall be
16 received and admitted into evidence.

17 (EXHIBIT NO. 131 WAS RECEIVED INTO
18 EVIDENCE.)

19 BY MR. DOTTHEIM:

20 Q. Mr. Herdegen, do you recall any suggestions
21 regarding reporting requirements cited in the Staff's
22 report regarding service quality?

23 A. I do remember reading that there was
24 discussion that Aquila reports right now on a monthly
25 basis. We report quarterly. And there was a suggestion

1 that, especially during this transition period, that we
2 report on our service metrics on a monthly basis.

3 Q. Is Kansas City Power & Light opposed to
4 that recommendation of the Staff?

5 A. No, sir.

6 Q. Is that a commitment from Kansas City
7 Power & Light, assuming the Commission approves?

8 A. Well, I probably ought to say just one
9 caveat. I think the reliability metrics are only kind of
10 reasonable on a quarterly basis, but the customer service
11 metrics on a monthly basis, and we would abide by that
12 commitment. We'd also welcome, you know, hindsight review
13 by Commission Staff if they choose to come out on a
14 regular basis as well.

15 MR. DOTTHEIM: Thank you for your patience,
16 Mr. Herdegen.

17 THE WITNESS: No problem.

18 JUDGE STEARLEY: Thank you, Mr. Dottheim.

19 Questions from the Bench, Commissioner Jarrett?

20 COMMISSIONER JARRETT: No questions.

21 JUDGE STEARLEY: If there's no questions
22 from the Bench, we'll have no recross. Redirect?

23 MR. STEINER: Yes, briefly, your Honor.

24 REDIRECT EXAMINATION BY MR. STEINER:

25 Q. Mr. Herdegen, counsel for the unions asked

1 you several questions about your relationship with the
2 unions. Can you tell us if you have a good relationship
3 with the unions?

4 A. With the two locals that I interface with
5 on a regular basis, I think we have an extremely mutually
6 respectful relationship and collaborative. I think it
7 began when we really determined that we were going to make
8 a difference in safety about six years ago.

9 We've taken that relationship to one where
10 we've now been able to interface with the International
11 IBEW to the point where we entered into an agreement last
12 year to join the IBEW national health plan that will help
13 reduce costs for our union members. And that's also led
14 the way to the interest in the International IBEW to talk
15 to us about a joint training partnership.

16 Q. You were also asked questions by counsel
17 for the unions regarding the integration of the locals.
18 What is KCPL offering union employees to make this happen?

19 A. Well, one of the things Mike Chesser was
20 very clear about when we embarked on this effort, and that
21 was that nobody would be treated as a second class
22 citizen, that we wanted all employees to be treated
23 equitably and fairly.

24 Currently the Aquila people are paid and
25 have benefits that are different from Kansas City Power &

1 Light. Part of our discussion with them with regard to
2 integration would be if we -- if we are successful in the
3 integration, then we would raise the levels of wages for
4 the old St. Joe Power & Light part of the Aquila territory
5 and Missouri Public Service to be commensurate with the
6 Kansas City Power & Light wage levels. And that would
7 also pertain to the benefits packages that are offered to
8 all employees.

9 MR. STEINER: Thank you. That's all I
10 have.

11 JUDGE STEARLEY: Thank you, Mr. Steiner.
12 And thank you, Mr. Herdegen for your testimony. You may
13 step down, but you will not be finally excused just in
14 case the Commission should have some additional questions
15 for you.

16 THE WITNESS: Yes, your Honor.

17 JUDGE STEARLEY: I believe that's
18 Mr. Herdegen's last scheduled testimony.

19 MR. STEINER: That's correct. I would like
20 to offer for admission his direct testimony, which is
21 Exhibit 16, and his supplemental direct, which is
22 Exhibit 17.

23 JUDGE STEARLEY: Mr. Conrad?

24 MR. CONRAD: Yes. Objections to
25 Exhibit 16, Herdegen direct, will be found at page 5 of

1 our November 28 Motion in Limine, to his supplemental
2 direct, Exhibit 17, same document, page 6. If you would
3 like me to read those in, I will do so. The basis for
4 that objection is as was stated in the two Motions in
5 Limine as well as the oral supplementation that I've given
6 last week and incorporated by reference.

7 JUDGE STEARLEY: Thank you, Mr. Conrad. No
8 need to read those in the record. We do have them. And
9 consistent with our prior rulings, we will overrule those
10 objection.

11 Are there any other objections to admission
12 of Exhibits 16 and 17?

13 (No response.)

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

16 (EXHIBIT NOS. 16 AND 17 WERE RECEIVED INTO
17 EVIDENCE.)

18 JUDGE STEARLEY: At this time,
19 Mr. Dottheim, I believe Mr. Schallenberg is up.

20 MR. DOTTHEIM: Yes. We are locating
21 Mr. Schallenberg. I apologize.

22 JUDGE STEARLEY: That's quite all right.
23 Do you think it'll require a break time here,
24 Mr. Dottheim, or --

25 MR. ZOBRIST: I'm not going to have any

1 questions of Mr. Schallenberg.

2 JUDGE STEARLEY: Before Mr. Schallenberg
3 gets here, let me ask if anyone else has cross-examination
4 for him?

5 MR. ZOBRIST: And I should say that's on
6 this service quality issue.

7 JUDGE STEARLEY: Right. That's the one
8 issue he's here for today.

9 MR. CONRAD: We do not.

10 JUDGE STEARLEY: I'm not hearing any.
11 Commissioner Jarrett, would you have any questions for
12 Mr. Schallenberg on service quality?

13 COMMISSIONER JARRETT: No.

14 JUDGE STEARLEY: If there's no objection,
15 maybe we don't need to find Mr. Schallenberg, then.
16 Perfect timing. Is Mr. Schallenberg scheduled for any
17 future appearances? Is he testifying on the subject of
18 creditworthiness?

19 MR. DOTTHEIM: Yes.

20 JUDGE STEARLEY: At this time I'd like
21 to -- since we have completed the other issues for today,
22 I believe we're up to creditworthiness.

23 MR. CONRAD: Perhaps a brief break off the
24 record would be helpful.

25 JUDGE STEARLEY: I think it would be.

1 MR. CONRAD: To discuss where we are.

2 JUDGE STEARLEY: And we will take a short
3 intermission.

4 (A BREAK WAS TAKEN.)

5 JUDGE STEARLEY: We are back on the record,
6 and Mr. Zobrist, you may call Mr. Bassham to the stand.

7 MR. ZOBRIST: Thank you. The applicants
8 Great Plains Energy and Kansas City Power & Light Company
9 recall Mr. Bassham to the stand, please.

10 JUDGE STEARLEY: Mr. Bassham, you're
11 reminded that you're still under oath.

12 THE WITNESS: Yes, sir.

13 JUDGE STEARLEY: You may proceed.

14 MR. ZOBRIST: We have nothing further and
15 no further corrections to Mr. Bassham's testimony, so he
16 is tendered for cross-examination.

17 JUDGE STEARLEY: I'm scanning the room
18 here. I'm sure if I miss someone, they'll let me know.

19 Cross-examination, Ag Processing?

20 MR. CONRAD: Yes.

21 TERRY BASSHAM testified as follows:

22 CROSS-EXAMINATION BY MR. CONRAD:

23 Q. Good afternoon, Mr. Bassham.

24 A. Good afternoon.

25 Q. Just a couple of questions. What's the

1 Great Plains stock doing today? What's the price?

2 A. Stock's been around \$25 for the last week
3 or so.

4 Q. Would you agree with me that that's about a
5 five-year low?

6 A. It's certainly a three-year low, which is
7 the time I've been at Great Plains Energy.

8 Q. It hasn't been this low since you've been
9 with the company?

10 A. It has not.

11 Q. Am I correct and would you agree that a few
12 weeks ago, perhaps a couple months, Great Plains indicated
13 to the Wall Street folks that it would no longer provide
14 earnings guidance?

15 A. We indicated on our first quarter earnings
16 call or fourth quarter earnings call that we really didn't
17 feel like we could provide meaningful guidance because of
18 the many changes going on at the company.

19 Q. So that's a yes?

20 A. For the reasons I just gave, yes.

21 MR. CONRAD: Okay. That's all.

22 JUDGE STEARLEY: Thank you, Mr. Conrad.

23 Mr. Mills?

24 MR. MILLS: Just a few, thank you.

25 CROSS-EXAMINATION BY MR. MILLS:

1 Q. Mr. Bassham, I'm going to try to ask you
2 some questions at sort of a general level and not get into
3 highly confidential information. If you feel that you
4 need to get into something highly confidential to answer
5 my questions, just let me know. We can arrange to do so.

6 A. Yes, sir.

7 Q. Just to sort of set the stage, after the
8 hearings recessed in December, joint applicants put
9 together a pro-- well, put together a set of assumptions
10 and sent it off to both Moody's and Standard & Poor's; is
11 that correct?

12 A. We came up with a new plan that allowed us
13 to send off a scenario to them, that's correct.

14 Q. And the scenario was based on a number of
15 assumptions?

16 A. Quite a few.

17 Q. Such as treatment of additional
18 amortizations for Aquila and Aquila's cost of regulatory
19 debt and things like that; is that correct?

20 A. That's correct.

21 Q. Are the assumptions that were contained in
22 those scenarios that you sent off to the rating agencies
23 completely consistent with the request that you have
24 pending before the Missouri Commission now?

25 A. The primary assumptions with regard to our

1 change in our request are the same. Well, I guess one
2 change might be we did make a change to our transaction
3 costs to reduce those to a degree, and I don't believe
4 that change had been made when we ran the runs. But other
5 than that, I believe the rest of it's consistent.

6 Q. And as a result of what you sent off to the
7 rating agencies and what you got back from the rating
8 agencies, as you sit there today, how confident are you
9 that there will not be a negative impact on your credit
10 rating if the Commission were to approve the merger as
11 you've proposed it?

12 A. If the Commission were to approve the
13 merger as we proposed it, we're very confident that our
14 credit rating would remain consistent with the information
15 we discussed with Moody's and Standard & Poor's.

16 Q. And now the same question with the
17 exception that the Commission does not allow the recovery
18 of any transaction costs.

19 A. Transaction costs would to some degree
20 soften the cash, obviously, impact, but again, it would be
21 the Missouri piece of that. And as I think I've testified
22 here before, I don't believe that in and of itself that
23 one adjustment would cause our credit rating to change.
24 Again, we've requested transaction costs. We continue to
25 do that. I don't think sitting here today I can say that

1 in and of itself would make a change.

2 Q. Would that change make you less confident?

3 A. It wouldn't make me less confident. It
4 would cause obviously the dollars that we requested not to
5 be collected, but it wouldn't make me less confident. It
6 would just remove some flexibility that currently exists.

7 Q. Are you confident enough in your ability to
8 avoid a downgrade that you'd be willing to commit on
9 behalf of the company to absorb any costs that would be
10 associated with a downgrade?

11 A. Well, I think we've -- I don't believe I'm
12 in a position to commit to a credit rating. What we've
13 tried to demonstrate is that we believe we can manage
14 to -- our current credit rating through our current offer.
15 Is that your question? I'm sorry.

16 Q. Not exactly. Let me back up a little bit.
17 You're aware, are you not, that when Aquila ventured into
18 some unregulated areas, that it committed to this
19 Commission that it would insulate Missouri ratepayers from
20 any additional cost of debt essentially due to a lower
21 credit rating because of those ventures?

22 A. I'm aware of that result obviously given
23 the issues we have with interest.

24 Q. Would KCPL be willing in this case to
25 accept a similar condition, that is that the Commission

1 approves the merger on the condition that KCPL -- that the
2 Great Plains shareholders rather than KCPL ratepayers pay
3 any increased cost of debt if a downgrade occurs shortly
4 after approval of the merger or the acquisition?

5 A. I wouldn't do that, and I don't think it's
6 necessary mainly because we'll be able to come back -- we
7 won't be able to. We are coming back to the Commission in
8 the future with rate increases, and the Commission will be
9 able to look at what has occurred and why it's occurred
10 and how it's occurred, and if at that time they determine
11 we had done something imprudently, I'm sure we'll have to
12 answer for that. Making a blanket promise at this point
13 is not something that I think's necessary.

14 Q. Do you concede that there is some risk of a
15 downgrade if the Commission approves the merger?

16 A. There is a risk of downgrade for a number
17 of reasons. I mean, as your question a minute ago
18 suggested, there are a long list of assumptions that have
19 to be made in any of those kind of forecasts, and any
20 combination of those things happening or not happening
21 could cause us to do or need to manage to protect our
22 credit rating.

23 Q. Did within the last month or two Moody's
24 put you on a negative outlook?

25 A. I think Mr. Cline testified before that the

1 negative outlook was something that they had talked to us
2 about over the holiday, that as a result of the revised
3 request, rather than a stable outlook, they put us on a
4 negative outlook to see what the ultimate result of this
5 proceedings were.

6 Q. And describe what your understanding of a
7 negative outlook is.

8 A. Well, it's not a downgrade. It's not a
9 change in our rating, but it is a suggestion that -- and I
10 think the letter, the press that came out around it
11 described that the fact that we were in these hearings and
12 the fact that we had agreed to absorb the interest costs
13 would cause there to be less flexibility, which I think is
14 what I just said, and as a result their current rating
15 would be on the low side rather than the stable side, if
16 you will, and they would be watching to see the result and
17 watching to see ultimately what happens with regard to our
18 cash flow.

19 Q. Now, correct me if I'm wrong in my
20 understanding of what a negative outlook means. Does it
21 not mean that rating agency, in this case Moody's, sees
22 some possible events on the horizon, and if those events
23 come to pass, then a downgrade is somewhat likely?

24 A. I wouldn't say likely. I would say they
25 are concerned. Remember that Moody's is one notch above

1 Standard & Poor's. But yes, they're certainly -- given
2 our absorbing this additional interest expense, they're
3 watching, which is exactly what the press release said.

4 Q. And what particular events are they
5 watching? What did the press release say they were
6 watching?

7 A. Well, it said they were watching
8 everything, but obviously our agreeing to absorb the
9 interest cost that's not being recovered in rates was the
10 measure of reduced financial flexibility in particular
11 that they mentioned.

12 Q. Did they mention anything in particular
13 that did not have to do with this merger case?

14 A. Yes. I think there were another item or
15 two mentioned.

16 Q. And what were those?

17 A. I don't remember.

18 Q. So let's -- given that, let's return to my
19 question about the risks. Do you concede that there is
20 some risk that, all else being equal, a Commission
21 approval of this merger could lead to a downgrade by
22 either S&P or Moody's?

23 A. I believe I would agree with that. I would
24 say, all other things being equal, approval of the merger
25 would cause us to absorb some additional dollars, risk

1 that we don't currently have. That's certainly true.

2 Q. And there's a possibility that there could
3 be enough costs that you could be downgraded?

4 A. Again, I don't believe you can pinpoint any
5 one single event. I believe our work with the agencies
6 suggests that approval of the merger in and of itself
7 wouldn't have that effect. Could that along with the
8 effect of two or three other things cause us to have a
9 rating which would be reviewed? Possibly.

10 Q. So there is some risk that approval of the
11 merger could cause a downgrade?

12 A. I think I said I can't agree with that in
13 and of itself, no. It certainly provides -- it's going to
14 cause KCP&L and GPE to have less financial flexibility
15 than it would otherwise, no question.

16 Q. And I'm not trying to argue with you, but
17 let me make sure I understand your answer. Is your
18 answer, no, there is no risk, or no, you can't -- you
19 can't determine whether there's a risk?

20 A. Neither. A credit rating isn't changed
21 because of a single event normally. It normally has -- it
22 normally happens positively or negatively because of all
23 the factors included in the review. So I don't -- I
24 believe with all the work we've done, we don't see the
25 merger in and of itself causing a downgrade.

1 Certainly it generates additional risk in
2 the sense that we are taking on interest cost that we
3 wouldn't otherwise have because of the amounts disallowed
4 in the Aquila capital structure.

5 Q. And I think in your last answer you said
6 that there is some additional risk?

7 A. Absolutely.

8 Q. And my question to you is, are you willing,
9 as you being GPE, willing on behalf of your shareholders
10 to agree up front to absorb that risk?

11 A. I am willing to come to this Commission in
12 the next rate case, in future rate cases and prove that
13 we've been prudent in our management of the company. To
14 the extent that that's not the determination of this
15 Commission, our shareholders will bear that cost.

16 Q. But you're not willing to agree up front
17 that you will bear that cost?

18 A. I don't think that's appropriate.

19 MR. MILLS: That's all the questions I
20 have. Thank you.

21 JUDGE STEARLEY: Thank you, Mr. Mills.
22 Staff?

23 MR. DOTTHEIM: Yes. Thank you.

24 CROSS-EXAMINATION BY MR. DOTTHEIM:

25 Q. Good afternoon, Mr. Bassham.

1 A. Good afternoon.

2 Q. Mr. Bassham, do you have a copy of what
3 previously has been marked as Exhibit -- Staff
4 Exhibit 125? It's a copy of the January 7, 2008
5 Standard & Poor's letter to Mr. Michael Cline.

6 MR. DOTTHEIM: Judge, I think we're going
7 to have to go in-camera.

8 JUDGE STEARLEY: Very well.

9 (REPORTER'S NOTE: At this point, an
10 in-camera session was held, which is contained in
11 Volume 18, pages 2327 through 2347 of the transcript.)

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1 JUDGE STEARLEY: All right. We are back in
2 the public forum. And your next exhibit, Mr. Dottheim,
3 will be Exhibit No. 133.

4 MR. ZOBRIST: Judge, I just wanted to
5 confirm that the court reporter had marked Exhibit 132
6 highly confidential. Perhaps she has.

7 JUDGE STEARLEY: Is that correctly marked?

8 THE REPORTER: Yes.

9 JUDGE STEARLEY: Thank you.

10 (EXHIBIT NO. 133 WAS MARKED FOR
11 IDENTIFICATION.)

12 MR. DOTTHEIM: Exhibit 133 is the
13 Comprehensive Energy Plan Oversight Committee Charter. At
14 this time I'd also like to have marked as Exhibit 134
15 another document which shows the membership by named
16 individuals of the Comprehensive Energy Plan Oversight
17 Committee.

18 (EXHIBIT NO. 134 WAS MARKED FOR
19 IDENTIFICATION.)

20 MR. DOTTHEIM: And I'd like to have marked
21 one other exhibit, Exhibit 135, the Comprehensive -- a
22 copy of the Comprehensive Energy Plan Oversight Committee
23 minutes, and those minutes are from February 19 of 2008.

24 (EXHIBIT NO. 135HC WAS MARKED FOR
25 IDENTIFICATION.)

1 BY MR. DOTTHEIM:

2 Q. Mr. Bassham, have you had an opportunity to
3 look at what's been marked as Exhibits 133, 134 and 135?

4 A. I've not read the entirety, but yes, I'm
5 familiar with them all.

6 Q. Can you identify what's been marked as
7 Exhibit 133?

8 A. 133 is our Comprehensive Energy Plan
9 Charter, which sets out a charter for our committee and
10 membership.

11 Q. You've seen that document before?

12 A. I have.

13 Q. And your position as chief financial
14 officer is shown as having committee membership on the
15 first page of that document?

16 A. It is.

17 Q. I'd like to direct you to Exhibit 134.
18 That document, which is a discovery response, identifies
19 the committee membership at inception, that is the
20 committee membership for the Comprehensive Energy Plan
21 Oversight Committee, does it not?

22 A. Yes, sir.

23 Q. And you are shown as being a member of that
24 committee as the chief financial officer, are you not?

25 A. I am.

1 Q. And I'd like to direct you to Exhibit 135.
2 Can you identify that document?

3 A. This would be minutes from a meeting held
4 on February 19th of 2008.

5 Q. Are minutes from the Comprehensive Energy
6 Oversight Committee usually memorialized in this form?

7 A. I believe so.

8 Q. How frequently does the CEP Oversight
9 Committee meet?

10 A. It varies depending on what's going on. We
11 started out meeting maybe even weekly early on, but
12 certainly biweekly, and right now I think we meet at least
13 once a month unless there's a reason to meet earlier.

14 When we first created the committee, we
15 obviously had both the first wind generation and the
16 environmental at Lacine 1 going in, which were real-time.
17 Now we obviously have Iatan 1 which is coming in. So it
18 depends on what's happening, but at least once a month.

19 Q. Are there presentations that are made to
20 the CEP Oversight Committee respecting, for example, the
21 Iatan 2 and Iatan 1 projects?

22 A. There are.

23 Q. Is there any date presently scheduled for a
24 presentation regarding the results of the reforecasting
25 process concerning the Iatan 2 and Iatan 1 projects?

1 A. We had it last Friday.

2 Q. Could you indicate what occurred at that
3 meeting?

4 A. Yes, sir. We had an update on the timeline
5 and results of the reforecast, with final completion of
6 that forecast to be due this week and presented to the
7 board on Monday or Tuesday, I guess Monday and Tuesday,
8 and the plan right now would be to release that in our
9 earnings release on Thursday.

10 Q. And when you say due to the board Monday or
11 Tuesday and released on Thursday, if I understand you
12 correctly, is that next week?

13 A. Yes, sir. We have committee meetings on
14 Monday. We have the actual board meeting on Tuesday, and
15 we have an earnings call on Thursday where we would expect
16 to release that information. We heard on Friday what the
17 current draft of the review is, review -- the current
18 draft of the reforecast is. I'm sorry.

19 Q. And then the intention is to make that
20 information public next week?

21 A. To the public, we would plan to make the
22 final, yes, available through our earnings call on
23 Thursday. Again, I'm aware of the current draft of
24 that -- of that process, but we haven't finished the final
25 vetting and we haven't presented it to the board. So

1 those two things would make it not quite complete as I sit
2 here.

3 Q. Will a filing with the SEC be part of the
4 process?

5 A. Yes. We'll file -- we'll have an earnings
6 release typically filed the night before the earnings
7 call. We'll have that, which will describe our earnings.
8 Also describe on the next day on the earnings call an
9 update, and what we'll do is likely update our capital
10 plans for the year, which will include the reforecast.

11 Q. You used the word vetting. I think you
12 indicated that the final vetting has not yet occurred
13 respecting the reforecasting. What did you mean by the
14 word vetting?

15 A. Well, again, our committee heard the
16 results of the team's work on the reforecast on Friday.
17 If we were able to do that confidentially, I might could
18 describe where we're at in that process. But what's left
19 to be done is that we have an independent consultant. His
20 name is Dan Meyer. Works with Shiff Harden group, who's
21 reviewing that work as well and will make a final
22 recommendation, which could adjust that number to some
23 degree. And then that information would obviously need to
24 be presented to our board for its review. And then our
25 joint owners, obviously we're going to communicate with

1 them, and then that would be the process, if you will,
2 before making it public on Thursday.

3 Q. Will the communication to the joint owners
4 occur in a joint owners meeting?

5 A. If possible. I'm not responsible for the
6 joint owners meetings, but depending on the timeline and
7 how fast we're having to move, we may have to communicate
8 that separately just depending on schedules. I would --
9 you know, I would probably refer you to Mr. Downey about
10 that process for sure.

11 Q. Can you identify -- and if we need to go
12 in-camera, we can. I've been trying to avoid that. But
13 you said that the presentation was made by a team or our
14 team, who that presentation was made by?

15 A. Yes.

16 Q. Yes, would you identify.

17 A. Oh, I'm sorry. Well, the team was led by
18 Bill Downey, but the team lead that discussed the team's
19 result was Terry Foster, and he made a presentation, along
20 with other team members who were there, on the current
21 status.

22 Q. And I assume you're aware both Mr. Downey
23 and Mr. Foster are scheduled to appear before the
24 Commission this week, are they not?

25 A. They are.

1 Q. Mr. Bassham, if GPE acquires Aquila, the
2 Iatan 2 and Iatan 1 projects will have an even greater
3 effect on GPE than it would without the acquisition, would
4 it not?

5 A. In purchasing Aquila, we will own more of
6 Iatan 1 and 2, yes.

7 Q. Will GPE have to issue more equity in the
8 future to support Aquila's share of Iatan?

9 A. I think as I described earlier, if we had
10 an increase in costs there or any other increase in costs,
11 we would look at our financing plan, we would look at how
12 operations had operated, we would look at everything and
13 ultimately determine whether additional debt or equity was
14 needed. But likely if we have increases, large increases
15 in cost, they require some additional financing need, yes.

16 Q. Additional equity would require additional
17 cash to pay dividends, assuming GPE does not cut its
18 dividend?

19 A. I'm sorry. Ask the question again.

20 Q. Yeah. If GPE issues more equity in the
21 future to support Aquila's share of Iatan, that equity
22 will require additional cash to pay dividends, will it
23 not?

24 A. If we issue additional shares and we do not
25 reduce our current dividend payout, it will require

1 additional dividend payouts to those knew shares, yes,
2 sir. And that, of course, is built into all the
3 information we've been talking about here.

4 MR. DOTTHEIM: Judge, I'm sorry. I'm going
5 to suggest we go in-camera again. I've got some
6 additional questions on the Standard & Poor's letter, and
7 I also would like to go into the Moody's letter, too.

8 JUDGE STEARLEY: All right. Very well.

9 (REPORTER'S NOTE: At this point, an
10 in-camera session was held, which is contained in
11 Volume 18, pages 2356 through 2362 of the transcript.)

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1 JUDGE STEARLEY: We're back in our public
2 forum.

3 MR. DOTTHEIM: I'd like to have a document
4 marked as Exhibit No. 136. I'd like to have marked as
5 Exhibit 136 a copy of Standard & Poor's April 2, 2008
6 Ratings Direct Research Update respecting Great Plains
7 Energy.

8 JUDGE STEARLEY: We're going to take just a
9 very short recess at this time to accommodate our court
10 reporter with something she needs to take care of. Sorry
11 to interrupt your flow here, Mr. Dottheim. We'll come
12 back on the record in five to ten minutes.

13 (A BREAK WAS TAKEN.)

14 (EXHIBIT NO. 136 WAS MARKED FOR
15 IDENTIFICATION.)

16 JUDGE STEARLEY: We are back on the record.
17 Mr. Dottheim, you may proceed with your questioning.

18 BY MR. DOTTHEIM:

19 Q. Mr. Bassham, have you had an opportunity to
20 take a look at what's been marked as Exhibit 136?

21 A. I have.

22 Q. Have you seen this document or a copy of
23 this document before?

24 A. I'm sure I saw it when it came out. It's
25 dated April 2nd, 2008.

1 use your microphone?

2 MR. DOTTHEIM: Yes. I'm sorry. Mr. Mills
3 advised me that it wasn't turned on. I apologize.

4 JUDGE STEARLEY: That's all right.

5 BY MR. DOTTHEIM:

6 Q. One moment, please. Mr. Bassham, I'd like
7 to direct you on page 2 of that document to the second to
8 last paragraph in the rationale section.

9 A. Yes, sir.

10 Q. It states, does it not, if Great Plains
11 chooses to proceed with the Aquila acquisition without
12 obtaining the appropriate regulatory safeguards and
13 assuming the company makes no other compensating
14 modifications to its plan, lower ratings on Great Plains
15 and Kansas City Power & Light Company could result. Did I
16 read that accurately?

17 A. You did. That was similar language that
18 they issued, you know, year before.

19 Q. Do you know what Standard & Poor's means by
20 appropriate regulatory safeguards?

21 A. They'll look at the outcome of the case and
22 all the effects of the case and the effects that
23 ultimately the merger will have on our company and they'll
24 arrive at their results. It'll be taken in toto, if you
25 will.

1 Q. Do you know whether KCPL/GPE saw a copy of
2 this Research Update before it was issued and was
3 permitted to comment?

4 A. Did we at the company see this copy before
5 it was made public?

6 Q. Yes.

7 A. I didn't. Again, Mr. Cline manages that
8 relationship day to day, and he may or may not have --
9 excuse me. He may or may have -- he may or not have.
10 That's a good sentence. Sorry. I didn't see it before.

11 Q. Does Standard & Poor's and Moody's provide
12 an opportunity to GPE/KCPL to review public releases in
13 draft form before they're made public so that GPE/KCPL can
14 comment?

15 A. They do on occasion. I know I've been
16 allowed to review certain releases before they go out. I
17 don't know that they do in every instance. I don't know
18 specifically about this one.

19 MR. DOTTHEIM: Okay. At this time I'd like
20 to have another exhibit marked, Exhibit 137, and this
21 exhibit is a Standard & Poor's Ratings Direct dated
22 March 20, 2008, Research Update respecting Aquila.

23 (EXHIBIT NO. 137 WAS MARKED FOR
24 IDENTIFICATION.)

25 BY MR. DOTTHEIM:

1 Q. Mr. Bassham, have you had an opportunity to
2 take a look at what's been marked as Exhibit 137?

3 A. Yes, sir.

4 Q. Do you recognize that document?

5 A. I can identify it. I probably read it when
6 it came out.

7 Q. You are familiar with the Standard & Poor's
8 Ratings Direct Research Updates?

9 A. Of course.

10 Q. I'd like to direct you to page 2, the
11 rationale section.

12 A. Yes, sir.

13 Q. And I'd like to direct you to the second to
14 last paragraph, paragraph which starts, if Great Plains'
15 transaction fails to close, we will remove the rating from
16 credit watch, affirm the double B negative corporate
17 credit rating on Aquila and assign an outlook.

18 Improvements to the rating would likely be hindered by,
19 and I'd like to direct you to the second bullet point.

20 A. Yes, sir.

21 Q. The second sentence. And so there's the
22 incomplete sentence, improvements to the rating would
23 likely be hindered by, then the second bullet point in the
24 sentence, the company does not earn a cash return on
25 construction work in progress and it does not have access

1 to any form of accelerated amortization. Did I read that
2 accurately?

3 A. You did.

4 Q. And we previously discussed that for
5 Standard & Poor's, accelerated amortization is another
6 term for -- well, is accelerated amortization also a term
7 for additional amortization? We previously had discussed
8 accelerated depreciation.

9 A. What they're talking about here is what
10 we've been calling amortization, and the company --
11 Aquila's not been allowed to utilize amortization because
12 it's not yet investment grade, and so they don't have
13 access to amortization. That's correct.

14 MR. DOTTHEIM: At this time I'd like to
15 have another exhibit marked, and this would be
16 Exhibit 138.

17 JUDGE STEARLEY: 138.

18 (EXHIBIT NO. 138 WAS MARKED FOR
19 IDENTIFICATION.)

20 BY MR. DOTTHEIM:

21 Q. Mr. Bassham, have you had an opportunity to
22 take a look at what's been marked as Exhibit 138?

23 A. I have.

24 Q. Do you recognize Exhibit 138 as a
25 transcript of the February 7, 2008 GPE earnings conference

1 call for analysts?

2 A. Yes, sir.

3 Q. And did you participate in that earnings
4 conference call?

5 A. I participate in all of them, so the answer
6 is yes, but I was looking for my name, but yes.

7 Q. I think you're on the bottom of page 4, you
8 start.

9 A. There it is. I participate in all earnings
10 calls, yes, sir.

11 Q. And I'd like to direct you in particular to
12 page 7.

13 A. Yes, sir.

14 Q. The last two complete paragraphs on that
15 page.

16 A. Yes, sir.

17 Q. And I think it might have been in a
18 discussion earlier this afternoon you had with Mr. Conrad
19 where I think you may have indicated that GPE did not
20 provide earnings guidance for a number of reasons, one of
21 them being the timing of the cost and scheduled update on
22 the Iatan project, which I think is referred to in that
23 second to last paragraph.

24 A. What it says here is we would not have
25 delayed giving guidance for that reason, but because of

1 two other reasons, this is another thing that could cause
2 to be more difficult. What happens in earnings guidance
3 is, you shouldn't give guidance if you don't have a fairly
4 good level of certainty around the accuracy of that
5 guidance.

6 It's not required by the SEC. And given
7 all the things going on, we felt it would be prudent not
8 to give guidance until we resolved Strategic Energy and
9 resolved the Aquila merger.

10 Q. Earlier this afternoon I think you had a
11 little discussion with Mr. Mills have some of the terms in
12 Moody's. The term stable outlook at Standard & P's, what
13 does that term mean to you as far as S&P's use of that
14 term?

15 A. Well, Mr. Cline can probably give you a
16 hypertechnical definition, but for me stable indicates
17 that the current rating is stable. For example, we were
18 stable before we announced the merger. So again, they
19 told us it was standard to put us on negative outlook,
20 which says they've got something important here, watch out
21 for it. Stable would suggest the rating is stable.
22 Sorry.

23 MR. DOTTHEIM: And one last exhibit. I'd
24 like to have marked as Exhibit 139.

25 (EXHIBIT NO. 139 WAS MARKED FOR

1 IDENTIFICATION.)

2 BY MR. DOTTHEIM:

3 Q. Mr. Bassham, have you had an opportunity to
4 review what's been marked as Exhibit 139?

5 A. Yes, sir.

6 Q. And for Exhibit 139, I have basically three
7 separate documents with a binder clip. The first document
8 is two page, a printout, a couple of screens from the
9 Great Plains Energy website which shows various web casts,
10 PowerPoint slides, scripts and questions and answers that
11 can be accessed. Do you recognize those two pages?

12 A. Yes, sir. When we make presentations, many
13 times they're at conferences where folks aren't actually
14 able to attend, so we usually elect to have them web cast
15 so that, one, they can see them on the web, or, as you've
16 done here, get a copy of them as they are archived on our
17 website eventually.

18 Q. And the next document is the actual
19 transcript of the web cast. It's the April 10 web cast.
20 There's no date on the transcript. The pages aren't
21 numbered. I've numbered the pages by hand starting with
22 the second page. Do you recognize that transcript?

23 A. I do.

24 Q. Is that the transcript of the April 10
25 presentation?

1 A. I believe it is.

2 Q. And behind that is a third document which
3 does have a date on it. It's a PowerPoint presentation,
4 and it has on it the date April 10, 2008, Great Plains
5 Energy, Wall Street Access and Barendsen & Company Midwest
6 Utilities Seminar, and at the bottom of the third page it
7 has Michael -- Michael Cline, VP Industrial Relations and
8 Treasurer, Great Plains Energy, and William Downey, CEO,
9 Kansas City Power & Light. Did I read that accurately?

10 A. You did.

11 Q. Do you recognize that document?

12 A. I do.

13 Q. And do you recognize that as the PowerPoint
14 slides for that presentation?

15 A. Yes, sir, it is.

16 Q. Last week I had marked as an Exhibit 123 a
17 PowerPoint slide presentation from a March 25, 2008
18 presentation in New York.

19 A. It was the Edward Jones conference.

20 Q. Yes. Do you recall that, Mr. Bassham?

21 A. I do.

22 Q. And if I could direct you to page 10 of the
23 PowerPoint slides.

24 A. Yes, sir.

25 Q. Do you recognize that chart?

1 A. I do.

2 Q. Is that the chart we went over last week
3 respecting synergy savings?

4 A. Same chart.

5 Q. And page 9 is another --

6 A. Same table.

7 Q. -- chart that we had gone over?

8 A. Yes, sir.

9 Q. Excuse me.

10 A. Yes, the same table we talked about in my
11 prior testimony.

12 Q. I'd like to direct you to page 5 of the
13 PowerPoint slides.

14 A. Yes, sir.

15 Q. And this PowerPoint slide addresses the
16 Strategic Energy sale, does it not?

17 A. It does.

18 Q. And does that slide -- does the information
19 on that page appear accurate to you?

20 A. It does.

21 Q. And, of course, the Strategic Energy sale
22 occurred after the March 25 presentation, or the
23 announcement of that sale occurred after that March 25
24 presentation, did it not?

25 A. Yes. I'm trying to get my dates straight.

1 Yes, I believe we were --

2 Q. Do you recall if the announcement of the
3 sale was on April 2?

4 A. I believe that's right.

5 MR. DOTTHEIM: Could I have a moment,
6 please?

7 JUDGE STEARLEY: Certainly.

8 MR. DOTTHEIM: Thank you, Mr. Bassham.

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

11 COMMISSIONER MURRAY: Thank you.

12 QUESTIONS BY COMMISSIONER MURRAY:

13 Q. This will be pretty brief. Will you take a
14 look at Exhibit 136, please, page 2.

15 A. Yes.

16 Q. The third full paragraph on that page, I'd
17 like to know what you think it means.

18 MR. CONRAD: Commissioner, I'm having a
19 tough time hearing your question.

20 COMMISSIONER MURRAY: Sorry. Is that
21 better?

22 MR. CONRAD: Yes, ma'am.

23 BY COMMISSIONER MURRAY:

24 Q. Page 2 of Exhibit 136, third full
25 paragraph, and I'm asking you to take a look at that

1 paragraph and tell me what you think is meant by that,
2 particularly the words "without obtaining the appropriate
3 regulatory safeguards and assuming the company makes no
4 other compensating modifications to its plan."

5 A. Ultimately we've talked a lot about the
6 ratings process or the -- not the rating process, but the
7 advisory process that we went through, but ultimately it's
8 just that, it's advisory, and ultimately the S&P and
9 Moody's will have to make a judgment about our credit
10 rating when it's all said and done.

11 And again, what this says is basically
12 they'll look at everything, they'll look at all of the
13 result of the orders, the result of the outcome of the
14 approvals that were gotten, and depending on what they see
15 looking forward, they'll make a judgment about our
16 ratings, both the outlook and potentially the current
17 rating.

18 Our work with them and our submission of
19 our runs, which didn't include amortization, for example,
20 lead us to believe, as I've testified before, that we
21 believe that with the approval of the request that we've
22 made here, that we'll maintain our investment grade credit
23 rating at KCP&L and we'll bring Aquila to investment grade
24 as well.

25 Q. What do you think it means, just this

1 phrase, and assuming the company makes no other
2 compensating modifications to its plan?

3 A. Well, again, there are -- when you look at
4 the effect on a company of any individual event or act,
5 there's many other things that can either happen or be
6 done. That's management's job. Again, we made it clear
7 that we're committed to our investment grade credit
8 rating.

9 I think we have the reputation with the
10 rating agencies and with our debt and equity holders as a
11 company who's committed to its credit rating, and as a
12 result, if something happened, whether it be in this case
13 or whether it be a storm or anything that would cause some
14 concern, what management does in response to that would
15 also be considered. You don't take any one event on a
16 standalone basis.

17 Q. Can you give me an example of a
18 compensating modification to the plan?

19 A. Well, for example, I mean, the concern for
20 KCP&L and for Great Plains Energy is cash flow, obviously,
21 and you have the ability then to manage your cash flow.
22 So if there's certain projects you may or may not do or
23 things you can look at to better optimize your use of
24 cash.

25 We've not included in this run the use of

1 hybrid securities which we've talked about before as a
2 potential to lower our need for equity in the future. So
3 there's different things that could be used to help the
4 metrics if need be.

5 Q. And that would be in the next rate case?

6 A. Well, in general, when something was done,
7 it would be picked up in the next rate case, but again,
8 for example, we'd anticipated using hybrid securities,
9 which gives us the ability to issue debt. It has some
10 equity characteristics and would keep us from having to
11 issue as much debt. That market wasn't available this
12 last year. We hope it would be in the future.

13 The sale of Strategic would be a
14 compensating type move. In other words, our decision to
15 sell Strategic and to focus our capital on our regulatory
16 basis was what I would call from an rating agency's
17 perspective a compensating measure.

18 Q. Any other examples you can think of?

19 A. Those are for me the most obvious probably.

20 COMMISSIONER MURRAY: I don't have any
21 other questions. Thank you.

22 THE WITNESS: Thank you.

23 JUDGE STEARLEY: Commissioner Jarrett?

24 COMMISSIONER JARRETT: No questions.

25 JUDGE STEARLEY: All right. Any recross

1 based upon Commissioner Murray's question? Ag Processing?

2 MR. CONRAD: No.

3 JUDGE STEARLEY: Public Counsel?

4 MR. MILLS: No questions.

5 JUDGE STEARLEY: Staff?

6 (No response.)

7 JUDGE STEARLEY: Anyone else? To redirect.

8 MR. ZOBRIST: Thank you, Judge.

9 REDIRECT EXAMINATION BY MR. ZOBRIST:

10 Q. Mr. Bassham, during Mr. Dottheim's
11 examination of you, he asked you about the process, the
12 reforecast. Do you recall that?

13 A. Yes, sir.

14 Q. Are you prepared to share with the
15 Commission and the parties at this time the current
16 results of the forecast?

17 A. What we could discuss at this time is the
18 current status, which as I described before is not quite
19 complete and hasn't been presented to the board. But in
20 terms of where we're at and what the estimate is today, if
21 we could do that, if that could be done confidentially,
22 I'm prepared to provide what we learned in our executive
23 oversight committee.

24 Q. And briefly, why would that require an
25 in-camera session?

1 A. Again, one, it's not quite complete, but
2 No. 2, we've obviously not disclosed -- because it's still
3 being completed we haven't disclosed this information
4 anywhere publicly from an SEC perspective, and ultimately
5 when we do that, we need to do that broadly and completely
6 at the same time.

7 MR. ZOBRIST: Your Honor, if we could go
8 into HC session, I would glad to have Mr. Bassham describe
9 those results.

10 (REPORTER'S NOTE: At this point, an
11 in-camera session was held, which is contained in
12 Volume 18, pages 2380 through 2386 of the transcript.)

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1 JUDGE STEARLEY: Just to put back on
2 the public forum, what we hadn't switched camera views for
3 was the offering of Mr. Bassham's testimony, Exhibits 1,
4 2, 3 and 37. They were received over objection by Mr.
5 Conrad.

6 And we are now looking at the offering of
7 Staff's Exhibits 132 through 139. Are there any
8 objections to the offering of those exhibits?

9 MR. ZOBRIST: Can I just have a moment,
10 Judge?

11 JUDGE STEARLEY: Certainly.

12 MR. ZOBRIST: Great Plains Energy and KCPL
13 does not have any objection to any of those exhibits.

14 JUDGE STEARLEY: Hearing no others, those
15 shall be received and admitted into evidence.

16 (EXHIBIT NOS. 132 THROUGH 139 WERE RECEIVED
17 INTO EVIDENCE.)

18 JUDGE STEARLEY: At this time I'd like to
19 inquire of -- is Mr. Cline available for testimony
20 tomorrow?

21 MR. FISCHER: Yes, your Honor, he is.
22 However, Mr. Giles is also going to be on the list, and
23 he needs to be back in Kansas City in the afternoon. If
24 it's not objectionable to the parties, we'd like to put
25 him up first out of order and then go back to the list

1 with Mr. Cline to follow, followed by Mr. Downey, and --

2 JUDGE STEARLEY: All right. Very well.

3 And beginning with -- just let me ask for clarity, on
4 witnesses Giles, Downey, Chesser, Easley, Grimwald, Davis,
5 Helms and Foster, are those being called by Staff for this
6 testimony or are they being called by GPE?

7 MR. DOTTHEIM: After Mr. Cline, they're
8 being called by Staff. And there are also two
9 individuals, I'm sorry, I don't recall whether you
10 mentioned them, from Aquila.

11 JUDGE STEARLEY: Aquila, would be Rose and
12 Sherman.

13 MR. DOTTHEIM: Yes, who are being called by
14 Staff. Also, too, there was one witness who, we apologize
15 to the company, unfortunately was excused, and we asked
16 the company whether the company would be willing to bring
17 the individual back, Mr. Zabors, which the company has
18 graciously done, and so Mr. Zabors is back. We have some
19 cross for him.

20 JUDGE STEARLEY: Will that be with regard
21 to the creditworthiness issue?

22 MR. DOTTHEIM: No. That is in regards to
23 transaction costs in particular.

24 MR. FISCHER: Rather than break up the
25 creditworthiness issue, we suggested just doing that at

1 the end of the case, which is fine with us.

2 MR. DOTTHEIM: And that is fine with the
3 Staff.

4 JUDGE STEARLEY: All right. Very well.

5 MR. FISCHER: Judge, I would inquire, after
6 Mr. Downey, Mr. Chesser is scheduled to be on the stand.
7 I don't know how much cross there might be of the previous
8 witnesses tomorrow, but we're trying to decide whether we
9 should call Mr. Chesser down tomorrow or is it likely --
10 we'd like to get Mr. Downey done for sure tomorrow.
11 Should we call Mr. Chesser down tomorrow or the following
12 day?

13 MR. DOTTHEIM: I think we can do both
14 witnesses tomorrow. Why don't we visit afterwards just to
15 be sure, but I think that that is doable.

16 MR. FISCHER: Very good. Mr. Trippensee I
17 understand will be after the company witnesses are done,
18 is that what the thought was?

19 JUDGE STEARLEY: That was my understanding,
20 he would follow Mr. Schallenberg.

21 MR. ZOBRIST: My only one question is,
22 Mr. Giles has filed testimony. My assumption was that he
23 was being called back like Mr. Bassham and Mr. Cline, and
24 then the witnesses who were being called by Staff who had
25 not filed prefiled, although Mr. Downey did, I think he

1 only filed direct, then we were following the new
2 procedure. Is that --

3 MR. CONRAD: I'm not sure what the question
4 is.

5 MR. ZOBRIST: Well, apparently there's a
6 difference in the order. Maybe I can visit with
7 Mr. Dottheim about that.

8 JUDGE STEARLEY: There's just a difference
9 in the order of cross.

10 MR. ZOBRIST: I'll visit with counsel for
11 Staff, Judge, and not spend any more time on that.

12 MR. CONRAD: As far as it goes, we don't
13 have any problem with taking Mr. Giles up front. We
14 understand the situation.

15 JUDGE STEARLEY: Very good. Are there any
16 other housekeeping matters we need to address at this
17 time?

18 (No response.)

19 JUDGE STEARLEY: We stand adjourned for
20 today, and we'll pick up tomorrow at 8:30. Thank you all
21 very much.

22 WHEREUPON, the hearing of this case was
23 recessed until April 29, 2008.

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25

1	I N D E X		
2	MUNICIPAL FRANCHISE		
3	CITY OF KANSAS CITY'S EVIDENCE:		
4	WAYNE CAUTHEN		
	Direct Examination by Mr. Comley		2132
5	Cross-Examination by Mr. Steiner		2136
	Questions by Commissioner Jarrett		2152
6	Recross-Examination by Mr. Mills		2156
	Recross-Examination by Ms. Parsons		2157
7	Redirect Examination by Mr. Gifford		2158
8	QUALITY OF SERVICE/EARNINGS SHARING MECHANISM		
9	ROBERT J. HIX		
	Direct Examination by Mr. Comley		2160
10	Cross-Examination by Mr. Steiner		2162
	Questions by Commissioner Murray		2169
11	Questions by Commissioner Jarrett		2176
	Recross-Examination by Mr. Conrad		2182
12	Recross-Examination by Mr. Steiner		2190
13	JOHN MARSHALL	Cross-Examination by Mr. Conrad	
	2195		
14	Cross-Examination by Mr. Gifford		2200
	Questions by Commissioner Jarrett		2216
15	Recross-Examination by Mr. Dottheim		2218
	Recross-Examination by Mr. Steinmeier		2220
16	Redirect Examination by Mr. Steiner		2231
17	SERVICE QUALITY/MERGER SYNERGY SAVINGS		
18	BILL HERDEGEN		
	Direct Examination by Mr. Steiner		2238
19	Cross-Examination by Ms. Williams		2239
	Cross-Examination by Mr. Mills		2281
20	Cross-Examination by Mr. Dottheim		2282
	Redirect Examination by Mr. Steiner		2311
21	CREDITWORTHINESS		
22	GPE/KCPL'S EVIDENCE:		
23			
24			
25			

1	TERRY BASSHAM	
	Cross-Examination by Mr. Conrad	2316
2	Cross-Examination by Mr. Mills	2317
	Cross-Examination by Mr. Dottheim	2325
3	(In-Camera Session - See Index Below)	
	Questions by Commissioner Murray	2374
4	Redirect Examination by Mr. Zobrist	2378
	(In-Camera Session - See Index Below)	
5		
	TERRY BASSHAM (In-Camera Session - Volume 18)	
6	Cross-Examination by Mr. Dottheim	2327
	Redirect Examination by Mr. Zobrist	2379
7		
8		
9		
10		
11		
12		
13		
14		
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25		

1	EXHIBITS INDEX		
2		MARKED	RECEIVED
3	EXHIBIT NO. 1		
4	Direct Testimony of Terry Bassham		2384
5	EXHIBIT NO. 2NP/HC		
6	Supplemental Direct Testimony of Terry Bassham		2384
7	EXHIBIT NO. 3		
8	Surrebuttal Testimony of Terry Bassham		2384
9	EXHIBIT NO. 37		
10	Additional Supplemental Direct Testimony of Terry Bassham		2384
11	EXHIBIT NO. 16		
12	Direct Testimony of William P. Herdegen	2236	2314
13	EXHIBIT NO. 17		
14	Supplemental Direct Testimony of William P. Herdegen	2236	2314
15	EXHIBIT NO. 131		
16	KCPL Response to Staff DR 0342	2291	2310
17	EXHIBIT NO. 132HC		
18	KCPL Response to OPC DR 1006	2345	2387
19	EXHIBIT NO. 133		
20	KCPL Comprehensive Energy Plan Oversight Committee Charter	2348	2387
21	EXHIBIT NO. 134		
22	KCPL Response to Staff DR 0262	2348	2387
23	EXHIBIT NO. 135HC		
24	CEP Oversight Committee Minutes	2348	2387
25	EXHIBIT NO. 136		
	Standard & Poor's Ratings Direct, Great Plains Energy Ratings Remain on Credit Watch Negative on Planned Sale of Unregulated Unit	2363	2387

1	EXHIBIT NO. 137		
2	Standard & Poor's Ratings Direct,		
3	Research Update: Aquila, Inc.'s Rating		
4	is Raised to BB; Still on Watch		
5	Positive	2366	2387
6	EXHIBIT NO. 138		
7	Great Plains 4Q and YE 2007 Earnings		
8	Call	2368	2387
9	EXHIBIT NO. 139		
10	Copy of Pages from Great Plains Energy		
11	Website, Transcript of Earnings Call,		
12	PowerPoint Presentation	2370	2386
13	EXHIBIT NO. 400		
14	Rebuttal Testimony of Wayne A. Cauthen	2132	2133
15	EXHIBIT NO. 401		
16	Rebuttal Testimony of Robert J. Hix	2132	2162
17	EXHIBIT NO. 402		
18	Certificate of City Clerk, Ordinance		
19	No. 21706	2132	2135
20	EXHIBIT NO. 403		
21	Certificate of City Clerk, Ordinance		
22	No. 60167	2132	2135
23	EXHIBIT NO. 404		
24	Citations to Cases, Examples of		
25	Earnings Sharing Mechanism Employed or		
26	Reparations Provided to Customers	*	
27	EXHIBIT NO. 405		
28	Map of Service Territory	2199	
29	EXHIBIT NO. 406		
30	Joint Motion and Settlement Agreement		
31	Docket No. 07-KCPE-1064-ACQ, Kansas		
32	Corporation Commission	2199	2215
33	EXHIBIT NO. 1200		
34	Affidavit of Lisa Robertson, 9/24/07		
35	Letter to Renee Parsons from Daniel		
36	Vogel	2224	2231
37			
38			

1 EXHIBIT NO. 1201
2 Certified Copy of Section 13.2 of the
3 Charter of the City of St. Joseph 2228 2231
4
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*Late-filed exhibit.

1 C E R T I F I C A T E

2 STATE OF MISSOURI)
3) ss.
4 COUNTY OF COLE)

5 I, Kellene K. Feddersen, Certified
6 Shorthand Reporter with the firm of Midwest Litigation
7 Services, and Notary Public within and for the State of
8 Missouri, do hereby certify that I was personally present
9 at the proceedings had in the above-entitled cause at the
10 time and place set forth in the caption sheet thereof;
11 that I then and there took down in Stenotype the
12 proceedings had; and that the foregoing is a full, true
13 and correct transcript of such Stenotype notes so made at
14 such time and place.

15 Given at my office in the City of
16 Jefferson, County of Cole, State of Missouri.

17 _____
18 Kellene K. Feddersen, RPR, CSR, CCR
19 Notary Public (County of Cole)
20 My commission expires March 28, 2009.
21
22
23
24
25