

1 STATE OF MISSOURI  
2 PUBLIC SERVICE COMMISSION  
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6 TRANSCRIPT OF PROCEEDINGS  
7 Evidentiary Hearing  
8 April 30, 2008  
9 Jefferson City, Missouri  
Volume 21

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

16 JUDGE HAROLD STEARLEY, Presiding,  
REGULATORY LAW JUDGE.  
17 CONNIE MURRAY,  
ROBERT CLAYTON,  
18 TERRY JARRETT,  
COMMISSIONERS.  
19  
20  
21

22 REPORTED BY:

23 PAMELA FICK, RMR, RPR, CCR #447, CSR  
24 MIDWEST LITIGATION SERVICES  
25

1 APPEARANCES:

2 JAMES M. FISCHER, Attorney at Law  
3 Fischer & Dority  
4 101 Madison, Suite 400  
5 Jefferson City, Missouri 65101  
(573) 636-6758  
jfisherpc@aol.com

6 WILLIAM G. RIGGINS, Attorney at Law  
7 CURTIS BLANC, Attorney at Law  
8 1201 Walnut  
9 Kansas City, Missouri 64141-9679  
(816) 556-2483  
curtis.blanc@kcpl.com

10 KARL ZOBRIST, Attorney at Law  
11 ROGER W. STEINER, Attorney at Law  
12 Sonnenschein, Nath & Rosenthal LLP  
13 4520 Main Street  
Suite 1100  
Kansas City, MO 64111-7700  
(816) 460-2400  
kzobrist@sonnenschein.com

14 FOR: Great Plains Energy Incorporated.  
15 Kansas City Power & Light Company.  
16

17 PAUL A. BOUDREAU, Attorney at Law  
18 JAMES C. SWEARENGEN, Attorney at Law  
19 Brydon, Swearengen & England, P.C.  
312 East Capitol  
P.O. Box 456  
20 Jefferson City, Missouri 65102-0456  
(573) 635-7166  
21 paulb@brydonlaw.com

22 RENEE PARSONS, Attorney at Law  
23 20 W. 9th Street  
24 Kansas City, Missouri 64105  
(816) 467-3297  
renee.parsons@aquila.com  
25

1 MARK W. COMLEY, Attorney at Law  
2 Newman, Comley & Ruth  
3 601 Monroe, Suite 301  
4 P.O. Box 537  
5 Jefferson City, Missouri 65102  
6 (573) 634-2266  
7 comleym@ncrpc.com

8 FOR: City of Kansas City, Missouri and  
9 Cass County, Missouri.  
10

11 CHARLES BRENT STEWART, Attorney at Law  
12 Stewart & Keevil  
13 Southampton Village at Corporate Lake  
14 4603 John Garry Drive, Suite 11  
15 Columbia, Missouri 65203  
16 (573) 499-0635  
17 stewart499@aol.com

18 FOR: Missouri Joint Municipal Electric  
19 Utility Commission.  
20

21 STUART CONRAD, Attorney at Law  
22 Finnegan, Conrad & Peterson  
23 3100 Broadway  
24 1209 Penntower Office Center  
25 Kansas City, Missouri 64111  
(816) 753-1122  
stucon@fcplaw.com

DAVID WOODSMALL, Attorney at Law  
Finnegan, Conrad & Peterson  
428 E. Capitol Ave., Suite 300  
Jefferson City, Missouri 65102  
(573) 635-5270

FOR: Ag Processing.  
Sedalia Industrial Energy Users  
Association.  
Praxair.

1 PAUL DeFORD, Attorney at Law  
Lathrop & Gage  
2 2345 Grand Boulevard  
Kansas City, Missouri 64108  
3 (816) 292-2000  
pdeford@lathropgage.com  
4

FOR: Black Hills Corp.

6  
CARL J. LUMLEY, Attorney at Law  
7 Curtis, Oetting, Heinz, Garrett & O'Keefe  
130 South Bemiston, Suite 200  
8 Clayton, Missouri 63105-1913  
(314) 725-8788  
9 clumley@lawfirmemail.com

10 FOR: Dogwood Energy, LLC.  
11

12 WILLIAM D. STEINMEIER, Attorney at Law  
MARY ANN (GARR) YOUNG, Attorney at Law  
13 William D. Steinmeier, P.C.  
2031 Tower Drive  
14 P.O. Box 104595  
Jefferson City, Missouri 65110  
15 (573) 734-8109  
wds@wdspsc.com  
16

FOR: City of St. Joseph, Missouri.  
17

18 JANE L. WILLIAMS, Attorney at Law  
Blake & Uhlig, P.A.  
19 753 State Avenue, Suite 475  
Kansas City, Kansas 66101  
20 (913) 321-8884  
jlw@blake-uhlig.com  
21

FOR: IBEW 814.  
22 IBEW 695.  
IBEW 1613.  
23 IBEW 1464.  
IBEW 412.  
24  
25

1 LEWIS R. MILLS, JR., Public Counsel  
Office of the Public Counsel  
2 P.O. Box 2230  
200 Madison Street, Suite 650  
3 Jefferson City, MO 65102-2230  
(573)751-4857  
4

FOR: Office of the Public Counsel  
and the Public.  
5  
6

7 KEVIN THOMPSON, General Counsel  
STEVEN DOTTHEIM, Chief Deputy General Counsel  
8 NATHAN WILLIAMS, Senior Counsel  
SARAH KLIETHERMES, Associate General Counsel  
9 P.O. Box 360  
200 Madison Street  
10 Jefferson City, MO 65102  
(573)751-3234  
11

FOR: Staff of the Missouri Public  
Service Commission.  
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13  
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1 P R O C E E D I N G S

2 JUDGE STEARLEY: All right. We are back  
3 on the record. It is Wednesday, April 30th and we're  
4 back on the record with Case No. EM-2007-0374.

5 Beginning with preliminary matters, my  
6 usual caution for everyone to please turn off all  
7 BlackBerries, cell phones and other electronic  
8 devices. It might interfere with our web casting and  
9 recording. I'm beginning to sound like I'm a flight  
10 attendant with these instructions.

11 Witness list today, I believe we are  
12 starting with Mr. Easley, to be followed by Davis,  
13 Foster, Rose, Sherman, Schallenberg, Trippensee, and  
14 in the remote instance we get so far, perhaps  
15 Mr. Zabors will be revisiting the stand as well.

16 Any other preliminary matters I need to  
17 take up before witness testimony this morning?

18 (NO RESPONSE.)

19 JUDGE STEARLEY: Hearing none, you may  
20 call Mr. Easley to the stand.

21 MR. DOTTHEIM: The Staff calls  
22 Mr. Stephen Easley to the stand.

23 (The witness was sworn.)

24 JUDGE STEARLEY: Thank you. You may be  
25 seated and you may proceed.

1 MR. DOTTHEIM: Thank you.

2 DIRECT EXAMINATION BY MR. DOTTHEIM:

3 Q. Good morning, Mr. Easley.

4 A. Good morning, Mr. Dottheim.

5 Q. Mr. Easley, let me first apologize to  
6 you for keeping you over for another day and not  
7 being able to take you yesterday. I apologize for  
8 the inconvenience.

9 A. Thank you.

10 Q. Mr. Easley, since you don't have  
11 testimony filed in the -- in the case, I'm going to  
12 ask you some questions. I'm going to ask you if you  
13 would provide some background, such as, could you  
14 provide what your educational background is, college  
15 degrees, for example?

16 A. My highest degree is a bachelor of  
17 science in construction technology from the  
18 University -- Purdue University in Indiana.

19 Q. And could you provide the year of that  
20 degree?

21 A. That was in 1977.

22 Q. And could you provide your present  
23 employment? What is your present position of  
24 employment?

25 A. My title with Kansas City Power & Light

1 is senior vice president of supply.

2 Q. Okay. And could you provide some  
3 background as far as some employment history, prior  
4 employment with Kansas City Power & Light, Great  
5 Plains Energy or within -- or within the utility  
6 industry?

7 A. I spent my entire career in the utility  
8 industry. I hired into Public Service Indiana right  
9 out of college, and I've held a number of positions  
10 through that. Started off as an assistant  
11 construction field engineer, moved into project  
12 controls as a cost engineer and then manager of cost  
13 and estimating. Then became a director of business  
14 development after that to develop new projects.

15 Left Public Service Indiana which became  
16 Cinergy, that's C-i-n-e-r-g-y, in '96. Then came to  
17 a subsidiary of Kansas City Power & Light called  
18 KLT Power at that point as vice president of the  
19 business development for the Americas, and remained  
20 there until '98 when that subsidiary was sold to  
21 El Paso Energy International.

22 I remained with them about seven months  
23 through a transition period and then was unemployed  
24 for a period of time, then was hired back into Kansas  
25 City Power & Light as assistant to the chief



1 financial officer. And then went from that to  
2 director of the Hawthorn rebuild project.

3 Then from that to president and CEO of  
4 Great Plains Power, and then from that to vice  
5 president of generation services, from that to  
6 vice -- senior vice president of supply.

7 Q. And as vice president of supply, could  
8 you provide some information as to what is entailed  
9 as your -- your work as vice president of supply?

10 A. Okay. Well, I direct the efforts of our  
11 entire generation fleet, coal procurement, off-system  
12 sales and purchases and the group that does our  
13 capacity planning and IRP work, integrated resource  
14 planning. Sorry.

15 Q. And is -- in the various positions  
16 that -- that you have held, you are familiar with the  
17 KCPL comprehensive energy plan, are you not?

18 A. I am.

19 Q. Okay. Do you have any specific  
20 responsibilities relating to the comprehensive energy  
21 plan or any general responsibilities?

22 A. Well, I -- I'm a member of the executive  
23 oversight committee, and for a period of time, all of  
24 the construction efforts reported through me. We  
25 made an organizational change about a year and a half

1     ago to split the construction from supply and have  
2     both of those in direct reporting relationship to  
3     Bill Downey.

4                     So for a period of time through the wind  
5     project, through the beginning of the Iatan projects  
6     and through the LaCygne project, those construction  
7     matters reported through me.

8             Q.       Okay. And with Mr. David Price's  
9     departure from Kansas City Power & Light as vice  
10    president of construction, did you assume the  
11    responsibilities that -- that he was serving on an  
12    interim basis?

13            A.       Yes, I did.

14            Q.       Okay. And --

15            A.       Or yes, I have, I should say.

16            Q.       And if I understand correctly, a new  
17    project director is assuming responsibilities next  
18    week?

19            A.       Correct. A new vice -- we've hired a  
20    new vice president of construction who will assume  
21    those responsibilities.

22                     MR. DOTTHEIM: At this time I'd like to  
23    have marked as an exhibit -- I think it may be  
24    Exhibit 143.

25                     JUDGE STEARLEY: That's what I have,

1 Mr. Dottheim. We are at 143.

2 (EXHIBIT NO. 143 WAS MARKED FOR  
3 IDENTIFICATION BY THE COURT REPORTER.)

4 BY MR. DOTTHEIM:

5 Q. Mr. Easley, have you had a chance to  
6 look at what's been marked as Exhibit 143?

7 A. Yes.

8 Q. Okay. And Exhibit 143 is a copy of a  
9 e-mail from you dated as sent on December 6th, 2006,  
10 to Bradley Beecher, Max Sherman, Stephen E. Parr and  
11 a number of individuals copied, "Subject: Control  
12 Budget Estimate for Iatan 2," and then attachments,  
13 is it not?

14 A. Yes, sir.

15 Q. Can you identify what's been marked as  
16 Exhibit 143? Do you recognize that document?

17 A. Oh, yes, I -- I wrote the e-mail.

18 Q. Okay. And I'd like to direct you in  
19 particular to the -- to the attachment, and -- and in  
20 particular to the -- the last column of the first  
21 page of that -- of that document, the first and  
22 second page.

23 JUDGE STEARLEY: Mr. Dottheim, not to  
24 interrupt, but --

25 MR. DOTTHEIM: Yes?

1 JUDGE STEARLEY: -- I see some of this  
2 as marked highly confidential. I don't know if your  
3 questioning is going to go into an area where we need  
4 to go in-camera or not.

5 MR. DOTTHEIM: I was -- I -- I --

6 MR. ZOBRIST: Let me just check. I  
7 don't think so, but let me check.

8 JUDGE STEARLEY: Thank you, Mr. Zobrist.

9 MR. ZOBRIST: The total numbers are not  
10 highly confidential, but we can't say with certainty  
11 whether some of the individual numbers on page 2 and  
12 on page 3 of this exhibit might be. But the total  
13 numbers are not highly confidential.

14 JUDGE STEARLEY: Okay.

15 MR. DOTTHEIM: And I actually was not  
16 going to actually identify any specific numbers.

17 JUDGE STEARLEY: Okay. Thank you.

18 MR. DOTTHEIM: But I -- Judge, I think  
19 that was wise because I think there was a need to  
20 identify whether the document needs to be highly  
21 confidential or proprietary as it's indicated on the  
22 bottom of each page that's been denominated.

23 JUDGE STEARLEY: All right. Thank you,  
24 Mr. Dottheim. You may proceed.

25 BY MR. DOTTHEIM:

1           Q.       Mr. Easley, again, I'd like to direct  
2   you to the -- the last column on the right of the  
3   first two pages of the attachment which has at the --  
4   the top of each page "December '06 Updated Control  
5   Budget Estimate, 850 Megawatts." Does that column  
6   identify the control budget estimate for the Iatan 2  
7   project?

8           A.       I believe so, yes.

9           Q.       Can you identify whether that column  
10   identifies what was ultimately determined to be the  
11   total number for the control budget estimate for  
12   Iatan 2?

13          A.       I believe it does. It totals to the  
14   billion 685 number that we've used as the control  
15   budget estimate for unit 2. So based on what it's  
16   attached to, I would say that's correct.

17          Q.       The first page of the document is an  
18   e-mail that, if I could direct you to the first --  
19   the first paragraph, the reference to KCPL filing,  
20   it's 8K which is scheduled for early next week.  
21   The -- the information that's contained in this  
22   document, if I understand, was not publicly released  
23   until the following week when it was released in a  
24   filing at the SEC or do you know?

25          A.       I can't remember specifically, but

1 the -- in general, that's true. We had wanted the  
2 partners to know the numbers to where they could make  
3 their filings contemporaneous with ours. There's a  
4 specific filing window that you're allowed to take  
5 from the time the information is known to when it has  
6 to be disclosed. We were operating in that window.

7 Q. I'd like to direct you to the last two  
8 pages of Exhibit 143 where certain of the information  
9 is -- is redacted, is blacked out. Do you recall why  
10 that information, if I'm reading this correctly, was  
11 redacted?

12 A. No, sir, I don't know.

13 Q. Okay. Do you recall whether that  
14 information was redacted in the attachment or whether  
15 it was in the attachment?

16 A. I don't remember.

17 MR. DOTTHEIM: Okay. Thank you. At  
18 this time I'd like to have marked another exhibit,  
19 Exhibit 144.

20 (EXHIBIT NO. 144 WAS MARKED FOR  
21 IDENTIFICATION BY THE COURT REPORTER.)

22 BY MR. DOTTHEIM:

23 Q. Mr. Easley, have you had an opportunity  
24 to take a look at what's been marked as Exhibit 144?

25 A. Yes.

1           Q.       Okay. And Exhibit 144 is a copy of a  
2 e-mail from David Price sent on January 23, 2008, to  
3 a number of individuals; "Subject: Iatan 1 Outage  
4 Duration," copying or attaching an e-mail from you  
5 dated January 23, 2008; "Subject: Iatan 1 Outage  
6 Duration," is it not?

7           A.       Yes, sir.

8           Q.       Do you recall your e-mail?

9           A.       Yes.

10          Q.       Okay. Could you identify what is the  
11 outage that -- the Iatan 1 outage that is the subject  
12 matter of the e-mail?

13          A.       This is the expected tie-in outage for  
14 the AQCS equipment that we're putting on the unit  
15 along with a number of other things that'll happen  
16 during an outage.

17          Q.       And when you say AQCS, do you --

18          A.       Air quality control systems. That's the  
19 SCR, the scrubber and the bag house that we're  
20 putting on.

21          Q.       And is -- are those items, the SCR, the  
22 bag house, the scrubber, part of the comprehensive  
23 energy plan program for Iatan 1?

24          A.       Yes, they are.

25          Q.       And when is that outage projected to

1 occur?

2 A. This fall.

3 Q. And that outage occurs, of course, prior  
4 to the completion of the Iatan 1 project, does it  
5 not?

6 A. Correct.

7 Q. And the -- an extension of the outage  
8 would extend the schedule for the Iatan 1 project,  
9 would it not?

10 A. Not necessarily by itself.

11 Q. Okay. Would you explain that?

12 A. You could start earlier and finish it at  
13 the same time. It was just the amount of time that  
14 was going to be required for the unit to be out of  
15 service to complete the work.

16 Q. At the -- at the present time, is it  
17 anticipated, expected that there will be an extension  
18 of the outage?

19 MR. ZOBRIST: I think this might be  
20 highly confidential information.

21 MR. DOTTHEIM: Okay.

22 MR. ZOBRIST: Mr. Easley, is that --

23 THE WITNESS: (Nodded head.)

24 MR. ZOBRIST: Yes.

25 MR. DOTTHEIM: All right. Can we go



1 in-camera?

2 JUDGE STEARLEY: Yes, we may.

3 (REPORTER'S NOTE: At this point, an  
4 in-camera session was held, which is contained in  
5 Volume 22, pages 2658 through 2660 of the  
6 transcript.)

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1 JUDGE STEARLEY: We are back in the  
2 public forum.

3 DIRECT EXAMINATION (CONTINUED) BY MR. DOTTHEIM:

4 Q. Mr. Easley, if I could refer you back to  
5 the -- the -- the e-mail. I'd like to ask you what  
6 some of the abbreviations stand for.

7 A. Okay.

8 Q. Okay. The abbreviation "ECA"?

9 A. Energy cost adjustment, or that's what I  
10 meant by -- I don't know if it's -- that's exactly  
11 the right term.

12 Q. And what did you mean by "energy cost  
13 adjustment"?

14 A. In Kansas we have a -- an adjustment for  
15 the fuel costs which includes purchased power which  
16 would be affected by the outage being longer or  
17 shorter.

18 Q. And what is the abbreviation "P&L"?

19 A. Profit and loss.

20 Q. Okay. What is your understanding of the  
21 wholesale margin and the resulting regulatory  
22 liability?

23 MR. ZOBRIST: Judge, I'm -- I'm loathe  
24 to object early in the day, but I feel compelled to  
25 say that, you know, we're getting into numbers but

1 we're not linking the numbers up to either the  
2 acquisition of Aquila or the company's credit rating,  
3 and I'm going to just object at this point in time.

4 I may be overruled, but I just want to  
5 emphasize that GPE and KCPL expect this to be linked  
6 up to those issues; otherwise, we're getting into  
7 issues related to rate cases and prudence and, you  
8 know, purported cost overruns and things like that.

9 JUDGE STEARLEY: Mr. Dottheim, I'm  
10 assuming you're going to provide the link for us?

11 MR. DOTTHEIM: Yes, yes, I am. And  
12 it -- it again -- it goes to the company's ability  
13 to -- to manage the comprehensive energy plan program  
14 alone, let alone at the same time of undertaking a --  
15 a acquisition of -- of Aquila.

16 And it also goes to the dollar  
17 consequences involved, and with the dollar  
18 consequences, the fallout respecting the  
19 creditworthiness of the company; in particular, in  
20 this instance, the creditworthiness as a result of a  
21 change in the cost of Iatan 1 and Iatan 2.

22 JUDGE STEARLEY: Thank you,  
23 Mr. Dottheim. At this time I am going to overrule  
24 Mr. Zobrist. I assume you will make other objections  
25 if you feel we are straying further. You may

1 proceed.

2 THE WITNESS: Can I have the question,  
3 again, please?

4 (THE COURT REPORTER READ BACK THE  
5 PREVIOUS QUESTION.)

6 THE WITNESS: My understanding is in  
7 Missouri we've set base rates of presuming a level of  
8 off-system sales which is set at a 25 percent  
9 probability level. And to the extent that that level  
10 is exceeded in off-system sales, then the resulting  
11 value is -- is placed in a regulatory liability  
12 account which would then be flowed back to ratepayers  
13 at a future date. I don't know if that's completely  
14 correct, but that's my understanding.

15 BY MR. DOTTHEIM:

16 Q. Mr. Easley, as indicated in this -- this  
17 e-mail, did your thinking on an outage extension  
18 change?

19 A. Yes.

20 Q. And how did your thinking change?

21 A. The impact was less severe on the  
22 company than I had originally thought of because of  
23 these -- the way that these other factors play into  
24 the way that you would look at that.

25 Q. Would you explain that?

1           A.       Okay. The -- prior to having either the  
2 ECA -- or the way that the wholesale margin works  
3 currently in Missouri and a delay or a loss of any  
4 unit on the system had basically an impact directly  
5 on the bottom line, the profit and loss of the  
6 company directly.

7                       With these two other pieces in play, you  
8 have to consider them in evaluating that number. And  
9 in the previous day's meeting, I had failed to  
10 consider that in my comments that I made about the  
11 impact of -- of the outage extension.

12          Q.       And how did the regulatory liability  
13 figure into your thinking? Did it figure into your  
14 thinking as to what costs the company could recover  
15 from its Missouri ratepayers?

16                   MR. ZOBRIST: Judge, I think we're going  
17 beyond, you know, any dollar impact on the verge of  
18 the creditworthiness if we're talking about recovery  
19 of dollars in rates or offsetting rates in the  
20 future, so I'd object as not relevant.

21                   JUDGE STEARLEY: Mr. Dottheim?

22                   MR. DOTTHEIM: Yes. Again, I think as  
23 I've previously indicated, it goes to how the company  
24 is managing the comprehensive energy program relative  
25 to its ability to undertake the proposed acquisition

1 of Aquila and if -- on the creditworthiness.

2                   We received -- and I'm not going to go  
3 into the numbers, on I think it was Monday, an  
4 indication of a -- of a material increase in the  
5 projected costs of Iatan projects. This is -- part  
6 of it is a question of whether, in part, those costs  
7 are recovered or not and in what form from Missouri  
8 ratepayers and how that influences the conduct of the  
9 company.

10                   JUDGE STEARLEY: Mr. Zobrist, any  
11 initial response?

12                   MR. ZOBRIST: Well, that may be a  
13 relevant inquiry in either the CEP docket or in a  
14 rate case, and I just -- I don't see it being linked  
15 up to the ability of the company to acquire Aquila or  
16 the creditworthiness of Great Plains Energy and KCPL.

17                   JUDGE STEARLEY: I'm going to sustain.  
18 Mr. Easley will not answer that question.

19                   THE WITNESS: Okay.

20 BY MR. DOTTHEIM:

21           Q.       Mr. Easley, are you familiar with the  
22 term "definitive estimate"?

23           A.       Generally.

24           Q.       Are you aware that the -- are you aware  
25 the term is used in the Stipulation and Agreement

1     that is the Kansas City Power & Light regulatory  
2     plan?

3             A.       Generally I'm aware of that, yes.

4             Q.       From your perspective, your  
5     understanding how that term is used regarding the  
6     comprehensive energy plan, how does it relate to the  
7     term "control budget estimate" as you use it?

8             A.       I'm not sure I've -- I have an opinion  
9     about how they link together. The control budget  
10    estimate that we did was the one that we will be able  
11    to track back to in detail.

12            Q.       Mr. Easley, you're familiar with the  
13    reforecasting process that has been occurring for a  
14    number of months respecting the Iatan 2 and the  
15    Iatan 1 projects?

16            A.       Yes, generally.

17            Q.       Okay. And how are you aware of the --  
18    the reforecasting process?

19            A.       I've participated in some of the  
20    activities associated with it and have been briefed  
21    on some of the earlier activities.

22            Q.       Okay. In part, have you been briefed on  
23    the activities because you are a member of, I think  
24    you've referred to it as the executive oversight  
25    committee?

1           A.       Yes, that was initially when I became  
2 aware of it.

3           Q.       Is the executive oversight committee  
4 also referred to as the comprehensive energy program  
5 oversight committee?

6           A.       Yes, I generally think those are the  
7 same.

8           Q.       Okay. Other than being a member of the  
9 executive oversight committee, how are you aware of  
10 the reforecasting process? If you could be more  
11 specific.

12          A.       Well, in my current interim role, I've  
13 played a part in the review of certain segments of  
14 that reforecasting effort and worked to help pull the  
15 presentations together that were given.

16          Q.       And when you said you worked to help  
17 pull together the presentations that were given, were  
18 you referring to the presentations that were given at  
19 the executive oversight committee last Friday,  
20 April 25, 2008?

21          A.       Yes, I am.

22          Q.       Okay. Do you recall when you first  
23 became aware of the reforecasting process?

24          A.       Not specifically, no.

25          Q.       Are you familiar with the term "time and



1 opportunity table"?

2 A. No.

3 Q. Mr. Easley, I misstated the term I  
4 was -- was searching for. I should have said "risk  
5 and opportunity table." Are you familiar with that  
6 term?

7 A. Yes.

8 Q. And could you identify what that term  
9 "risk and opportunity table" means to -- to you?

10 A. It was a table of perceived risk,  
11 meaning cost pressures or schedule pressures, and  
12 opportunities meaning places where costs could be  
13 saved or a schedule could be shortened for the  
14 project.

15 Q. And when you say "for the project," was  
16 that for the Iatan 2 and Iatan 1 projects?

17 A. Among others.

18 Q. And -- and what other projects were  
19 there risk and opportunity tables?

20 A. I believe we had started one for the  
21 LaCygne 1 SCR project before it completed.

22 Q. Do you recall when the tables were  
23 started for the -- the Iatan 2 project?

24 A. Not specifically.

25 Q. Do you have any ball park recollection?

1           A.       It was after Dave Price arrived. That  
2 was the way he characterized it, so it was after his  
3 arrival.

4           Q.       When did Dave Price arrive?

5           A.       I want to say May of '07. I can't be  
6 for certain on that.

7           Q.       And was there a risk and opportunity  
8 table for the Iatan 1 project in addition to the  
9 Iatan 2 project?

10          A.       I can't recall if they were separated  
11 into two separate tables and there were issues that  
12 affected only one or only the other.

13          Q.       Do you recall why the risk and  
14 opportunity tables were -- were started for Iatan 1  
15 and Iatan 2?

16          A.       Not specifically.

17          Q.       Do you recall whether they were started  
18 because of the Iatan 2 and the Iatan 1 projects  
19 exceeding cost and schedule?

20          A.       No.

21          Q.       Is there a Iatan project team? Is there  
22 a group that -- that has that name or is denominated?

23          A.       Probably.

24          Q.       Or Iatan leadership team?

25          A.       Yes.

1           Q.       Okay.  Who are the individuals, if you  
2 recall, who comprised the leadership team?

3           A.       Brent Davis, Terry Foster, Steve Jones,  
4 Mike Ballard, Mike Hermsen, Denise Schumaker.  I  
5 think that's everybody.  And myself at this point.  
6 And Dave, when he was there, and Carl Churchman when  
7 he arrives.

8                   THE COURT REPORTER:  I didn't hear the  
9 last one.

10                  THE WITNESS:  Carl Churchman when he  
11 arrives.

12                  THE COURT REPORTER:  Thanks.

13 BY MR. DOTTHEIM:

14           Q.       Is Mr. Churchman the -- the new project  
15 director?

16           A.       I believe that would be correct.  That's  
17 a question for Bill Downey.

18           Q.       How long has the leader -- leadership  
19 team been in existence?

20           A.       Effectively since the project started.  
21 It's changed members a number of times.

22           Q.       Was it always intended that there would  
23 be a reforecast done of the Iatan 2 and the Iatan 1  
24 projects?

25           A.       I think when we started the estimates

1     that there was an expectation that we would review  
2     those estimates as the project matured.

3           Q.       Was there any determination as to any  
4     set points when those reviews would occur?

5           A.       Not that I recall.

6           Q.       Was there any determination as to who  
7     would perform those reviews?

8           A.       I'm not sure I understand your question.

9           Q.       Was it anticipated that the reviews  
10    would be performed internally at KCPL by KCPL  
11    personnel or that the reviews would be performed  
12    externally by consultants?

13          A.       I don't -- I don't know -- I don't know  
14    the answer to that question.

15                   MR. DOTTHEIM: May I approach the  
16    witness?

17                   JUDGE STEARLEY: You may.

18    BY MR. DOTTHEIM:

19          Q.       Mr. Easley, I'd like to hand to you  
20    what's been marked as Exhibit 132. (Mr. Dottheim  
21    handed the witness the document.)

22          A.       Thank you.

23          Q.       Mr. Easley, have you had an opportunity  
24    to review what's been marked as Exhibit 132?

25          A.       I've looked at it, yes.

1           Q.       Exhibit 132 is a multipage document that  
2     the first page I'll represent is a sheet prepared by  
3     GPE/KCPL with a question that was posed by the Office  
4     of Public Counsel and the response of GPE/KCPL. And  
5     attached to that cover page are pages attached by  
6     GPE/KCPL. Do you recognize any of those pages?

7           A.       I recognize them from my deposition,  
8     yes.

9           Q.       Okay. And other than from me handing  
10    this document to you at your deposition and asking  
11    you if you recognized this document, do you recognize  
12    this document?

13          A.       The risk and opportunity tables, I don't  
14    know if it's the same one or not, but the format  
15    looks familiar. I can't say that I have ever seen  
16    that. The first -- the first page of it, the one  
17    labeled "Iatan unit 1, Estimated Risk as of January 1  
18    and Unit 2," I've never seen that nor have I seen any  
19    of the pie charts before you handed them to me.

20          Q.       Mr. Easley, do you know whether Dave  
21    Price was performing a reforecast of Iatan 2 and  
22    Iatan 1 projects?

23          A.       I believe he was.

24          Q.       Do you know --

25          A.       Or starting that process anyway.

1           Q.       Do you know where he was in that process  
2 when he left the employ of Kansas City Power & Light?

3           A.       Somewhere before it was done.

4                   JUDGE STEARLEY:   Excuse me, Mr. Easley.  
5 Could you try to use your microphone a little more?  
6 I know it's kind of in a fixed position, but that  
7 helps us a lot.

8                   THE WITNESS:   Does that help?

9                   JUDGE STEARLEY:   Very much so.   Thank  
10 you.

11                  THE WITNESS:   Okay.   Sorry.

12 BY MR. DOTTHEIM:

13          Q.       Did he ever present his analysis to the  
14 executive oversight committee?

15          A.       This analysis, is that what you're  
16 saying?

17          Q.       This or any analysis that -- that he  
18 characterized as a reforecast.

19          A.       No.

20          Q.       Was he scheduled to make a presentation  
21 to the executive oversight committee of his  
22 reforecast analysis?

23          A.       I don't recall specifically.   He  
24 presented at every executive oversight committee, and  
25 the agenda items moved around.

1           Q.       Did he ever present a progress report on  
2 the reforecast?

3           A.       Not that I recall.

4           Q.       Did he ever discuss his risk and  
5 opportunity table analysis?

6           A.       He discussed risk -- excuse me, risk and  
7 opportunities on a routine basis with the EOC, but I  
8 don't know if it was this complete analysis.

9           Q.       As a result of the meeting of the  
10 executive oversight committee last Friday, April 25,  
11 what is the present status of the reforecast?

12          A.       It's under review by some outside  
13 experts that we have to provide some additional  
14 insights. We also had a few to-dos to go back and  
15 try to organize it to where we could communicate it  
16 more effectively.

17          Q.       Do you have any responsibilities among  
18 those to-dos?

19          A.       Generally, yes, I would say I do.

20          Q.       Could you identify what they are?

21          A.       Just ensuring that they happen. I do  
22 have responsibility for the project at this point, so  
23 Bill asked to make sure that we organize the staff to  
24 get those things done.

25          Q.       And when you said "Bill," do you mean

1 Mr. Downey?

2 A. Correct, he's responsible for the  
3 completion of the reforecast.

4 Q. Do you know, will the reforecast, when  
5 it is complete, take any particular form such as a  
6 written study or report?

7 A. We have all the documentation that's  
8 been compiled for all the components that make up  
9 that. I presume that we'll put it in a -- in a  
10 location to where it would be easily traceable from A  
11 to B.

12 Q. I believe it's been indicated that -- at  
13 the hearings this week that Mr. Dan Meyer's doing  
14 some additional work on the reforecast; is that  
15 correct?

16 A. Yes.

17 Q. Has Mr. Meyer been doing work on the  
18 reforecast prior to the work he is now performing?

19 A. Yes.

20 Q. Can you identify what prior work he has  
21 performed on the reforecast?

22 A. Not specifically. I know he has helped  
23 in trying to organize the pieces and review the  
24 backup material to make sure it was sufficient  
25 documentation, those kinds of things.



1           Q.       Mr. Easley, the difference between the  
2     control budget estimate and the -- the reforecast  
3     number for the Iatan 2 project and the Iatan 1  
4     project, are those, in part, the result of change  
5     orders for the two projects?

6           A.       Change orders have affected the -- the  
7     expected cost. They may have been covered in the  
8     original contingency to some degree or another.

9           Q.       Could you provide a definition, a  
10    description of what a change order is?

11          A.       A change order is a change of facts and  
12    circumstances, either from the contract that you have  
13    with the other counterparty because of any of a  
14    number of reasons, design change, you know, the  
15    conditions at the site are different than expected.  
16    You know, there could be a number of reasons for a  
17    change order.

18          Q.       Other than change orders, what would be  
19    the reasons for the difference between the numbers in  
20    the control budget estimate and the numbers in the  
21    reforecast?

22          A.       Pricing changes. You know, at the point  
23    that we put the control budget estimate together, we  
24    had a significant amount of procurement left to -- to  
25    do. That engineer equipment, most of it, has been

1 purchased at this point, so those changes have been  
2 reflected there.

3           We've had changes in -- or some of the  
4 parameters around the inspection process, if you  
5 will, so that's changed our way that we have to do  
6 some of the work that we're doing from what was  
7 anticipated with the independent inspectors that we  
8 have on-site to satisfy Platte County. That's  
9 changed some of the things. Just general condition  
10 changes, I guess.

11           Q.       Can you provide a percentage as far as  
12 how much procurement was left to do when the control  
13 budget estimate was finalized?

14           A.       That's a known. I don't know it sitting  
15 here today.

16           Q.       As far as the -- the change orders, are  
17 there any in particular that are truly material,  
18 significant that stand out?

19           A.       Not that I recall offhand.

20           Q.       Are there any items in particular? Is  
21 there, for example, the -- I think it's the Pullman  
22 contract matter with the -- is it the chimney, would  
23 that be considered a material item?

24           MR. ZOBRIST: Judge, if we're going to  
25 get into any specific changes with specific vendors,

1     then I think we need to go into HC.  If he's just  
2     talking generally, I don't think there's a problem,  
3     but if we're going to start engaging in comparisons,  
4     I think we should go into in-camera.

5                     JUDGE STEARLEY:  All right.

6     Mr. Dottheim, do you want to go --

7                     MR. DOTTHEIM:  Yeah, I think just --  
8     just briefly.

9                     JUDGE STEARLEY:  Okay.

10                    THE WITNESS:  Are we going in-camera or  
11     not?

12                    MR. DOTTHEIM:  (Nodded head.)

13                    MR. ZOBRIST:  (Nodded head.)

14                    (REPORTER'S NOTE:  At this point, an  
15     in-camera session was held, which is contained in  
16     Volume 22, pages 2679 through 2680 of the  
17     transcript.)

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1 JUDGE STEARLEY: We are back in the  
2 public forum.

3 DIRECT EXAMINATION (CONTINUED) BY MR. DOTTHEIM:

4 Q. Mr. Easley, the -- the reforecast which  
5 has been performed, is it considered complete; that  
6 is, there are no further areas to look at that would  
7 otherwise be looked at if there were more time?

8 A. It's complete to the best of the  
9 abilities of the individuals. However, you know, the  
10 assumptions and the contingencies that one would  
11 place are still under discussion.

12 Q. Is there a cutoff time; that is, for  
13 the -- an end date as of -- by which the analysis  
14 went up to? Such as July 1, 2007, looking at change  
15 orders to that -- to that point or a design change to  
16 that point or looking only up to possibly January 1,  
17 2007, or September 30, 2007?

18 A. There -- there was a cutoff date. I  
19 believe it was the end of the year for change orders  
20 that were known. And then from that point it was in  
21 the projection side of the equation.

22 So we had to use a firm cutoff date in  
23 order to keep from potentially counting things twice  
24 or inadvertently leaving something out. So all of  
25 the issues are still covered even though you have an

1 actual cutoff date.

2 Q. Mr. Easley, there is a ownership  
3 committee, is there not, involving Iatan 2?

4 A. Yes.

5 Q. And that joint owner committee, that --  
6 does that also involve Iatan 1?

7 A. A different committee, but yes, there's  
8 a joint owners committee for Iatan 1.

9 Q. And do both committees meet on a regular  
10 basis?

11 A. Yes, monthly. Or generally monthly.

12 Q. Do you attend both meetings?

13 A. I have attended both. I've -- there was  
14 a period of time I did not attend, though.

15 Q. Could you indicate what usually is -- if  
16 you know -- well, how -- have you been just attending  
17 them during the time when you have been serving in  
18 the interim as project director after Mr. Price left  
19 the projects?

20 A. And before he arrived. And -- well, and  
21 actually during the first part. While it reported  
22 through me, I attended the meetings, and then I  
23 resumed attending the meetings when I took over for  
24 Dave.

25 Q. Are costs and schedule discussed at

1 those meetings?

2 A. Yes.

3 Q. Okay. Does KCPL make presentations on  
4 costs and schedule at those meetings?

5 A. Yes.

6 Q. Do you recall whether there was a  
7 February 14th, 2008 meeting of either Iatan 2 or  
8 Iatan 1 joint owners committee -- committees?

9 A. I can't recall if it was February 14th.

10 Q. Were there February meetings of the  
11 joint owners committees?

12 A. I can't say with certainty, but I  
13 believe so.

14 Q. Do you recall whether the reforecast was  
15 discussed at -- at either meeting?

16 A. I believe we talked through the process  
17 that we were going through at the meeting.

18 Q. Okay. And you said "meeting." Was  
19 there one meeting?

20 A. No. I believe there -- there have been  
21 two that I've attended since Dave's departure.

22 Q. And it's attended by multiple  
23 individuals for Kansas City Power & Light?

24 A. Yes.

25 Q. Individuals from the leadership team?

1           A.       Yes.

2           Q.       Do you recall whether at either of the  
3 meetings there was any discussion of any specific  
4 reforecast numbers that Dave Price had quantified?

5           A.       No, there was no discussion of those  
6 numbers at the meetings that I attended.

7           Q.       Was there any indication at those  
8 meetings, if you recall, that there was a process  
9 underway to validate the reforecast numbers through  
10 the collection of additional data?

11          A.       As I said, we reviewed the process that  
12 was in place and a schedule to complete that process  
13 with the joint owners of those two meetings and  
14 provided status on where we were at in the -- in the  
15 reforecast process.

16          Q.       Do you recall whether it was indicated  
17 that it was expected that the current construction  
18 budget was low and would require additional dollars  
19 to complete both the Iatan 2 and the Iatan 1  
20 projects?

21          A.       I don't recall specifically whether or  
22 not that was discussed. There was -- in the cost  
23 reporting on unit 1, it reflected that the  
24 contingency was overdrawn, meaning that there was a  
25 negative contingency there which would indicate that

1     there was upper pressure on that number during those  
2     two meetings that I attended.

3           Q.     Do you recall whether there was an  
4     indication by KCPL at those meetings that there were  
5     significant scheduling issues?

6           A.     Yes, we discussed challenges to the  
7     schedule at each meeting, and we had discussed with  
8     the joint owners of unit 1 this consideration of  
9     changing the outage duration and start time.

10          Q.     Do you recall whether Iatan 1 project  
11     costs were characterized by KCPL as not being  
12     reality?

13          A.     Not in the meeting I attended.

14                   MR. DOTTHEIM:   If I could have a moment,  
15     please.

16                   JUDGE STEARLEY:   All right,  
17     Mr. Dottheim.

18     BY MR. DOTTHEIM:

19          Q.     Mr. Easley, when Iatan 2 is completed  
20     and in commercial operation, do you expect that it is  
21     likely that its cost will be the same, above or below  
22     the cost that will be shown by the reforecast?

23                   MR. ZOBRIST:   Judge, if he's going to  
24     answer that question, I think we need to go into  
25     in-camera.



1 JUDGE STEARLEY: Very well. We'll let  
2 the gallery clear here.

3 (REPORTER'S NOTE: At this point, an  
4 in-camera session was held, which is contained in  
5 Volume 22, pages 2687 through 2688 of the  
6 transcript.)

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1 JUDGE STEARLEY: Okay. We are back in  
2 the public forum. And Mr. Dottheim, are you through  
3 with questioning?

4 MR. DOTTHEIM: Yes, I am.

5 JUDGE STEARLEY: Very well. Examination  
6 by Public Counsel.

7 MR. MILLS: Yes, just a few questions.

8 CROSS-EXAMINATION BY MR. MILLS:

9 Q. Mr. Easley, do you still have a copy of  
10 Exhibit 132? It looks like this.

11 A. Yes, I do.

12 Q. Between you, Mr. Davis and Mr. Foster,  
13 who would be the best of those three to ask questions  
14 about this? Who would be most familiar with the  
15 information contained there?

16 A. Mr. Foster.

17 Q. Okay. You may save yourself a lot of  
18 questions. Let me have you turn to the January 23rd  
19 e-mail, the one-page e-mail document that  
20 Mr. Dottheim handed to you.

21 A. This one?

22 MR. ZOBRIST: Is that Exhibit 144?

23 MR. MILLS: 144.

24 THE WITNESS: But mine aren't marked, so  
25 I want to make sure I'm on the right page.

1 BY MR. MILLS:

2 Q. And in there you refer to the 16th  
3 floor?

4 A. Yes.

5 Q. Obviously, that's not literally you're  
6 talking the 16th floor. What do you mean by that --  
7 that reference there?

8 A. The 16th floor is where the power sales  
9 group and the energy resource management group reside  
10 and they do the analytics on the expected purchased  
11 power costs and those kinds of exercises which is  
12 what you would have to do to determine the change in  
13 cost for an outage duration change.

14 Q. Okay. Now, as I read this e-mail, you  
15 said originally you sent this at roughly seven  
16 o'clock in the morning to half a dozen people or so;  
17 is that correct?

18 A. That's what it reflects, yes.

19 Q. And when you sent this e-mail out at  
20 7:00, you said you had asked the 16th floor to  
21 analyze some impacts. Did you get a response from  
22 the 16th floor before you forwarded this e-mail on a  
23 couple hours later?

24 A. I didn't forward it on a couple hours  
25 later.

1           Q.       Okay. David Price forwarded it on a  
2 couple hours later. Is that -- is that how I would  
3 read the e-mail string?

4           A.       That's how I would read it.

5           Q.       Okay. And -- and at what point -- well,  
6 if you did get a response from the -- from the 16th  
7 floor to this, at what point did you get a response?

8           A.       At some point after I asked. I don't  
9 know exactly.

10          Q.       And did the response that you got from  
11 the 16th floor reaffirm the thinking that you're  
12 reflecting in this e-mail or -- or disprove it?

13          A.       It affirmed what I was thinking, that  
14 there was a lower P&L impact than I had originally  
15 expected.

16          Q.       And did the -- did the 16th floor do  
17 anything to analyze the potential customer impact or  
18 just the P&L impact?

19          A.       Both would have been analyzed.

20          Q.       Okay. And did the potential customer  
21 impact go up or down from what you were originally  
22 thinking?

23          A.       It's different depending on whether  
24 you're talking Missouri or Kansas.

25          Q.       Well, let's talk Missouri.

1           A.       There was no change for Missouri.

2           Q.       Okay. Did it go up or -- well, I don't  
3   want to get into that. According to your -- your  
4   initial testimony with Mr. Dottheim, you've been  
5   involved in building power plants for a long time; is  
6   that correct?

7           A.       That's correct.

8           Q.       In the industry when -- when one  
9   typically talks about the cost of a plant,  
10   particularly a coal plant, do you give the cost with  
11   or without the initial coal inventory?

12          A.       Typically without it. Usually it's  
13   talked about in terms of overnight construction cost  
14   or -- or estimates, those kinds of things.

15          Q.       Now, with respect to what's referred to  
16   as either the -- at various times either the control  
17   budget estimate or the definitive estimate for  
18   Iatan 2, the -- the 1.685 million --

19          A.       Am I looking at a document?

20          Q.       Well, you can. I think you're probably  
21   familiar with that number.

22          A.       Oh, yes.

23          Q.       It's the second page of this --

24          A.       Okay. I just --

25          Q.       -- of this document that has it on it,

1 but it is a number that's been in --

2 A. Okay.

3 Q. -- fairly constant circulation for a  
4 while now. Does that number include the cost of the  
5 initial fuel inventory?

6 A. According to this, yes.

7 Q. Okay. Were you involved at all in the  
8 negotiation of the regulatory plan and the original  
9 comprehensive energy plan projects?

10 A. I wasn't involved in the negotiation of  
11 the plan. I was involved in the planning of the  
12 projects that ultimately became part of that.

13 Q. Did you provide input on the -- the  
14 estimates of costs for Iatan 2 that were ultimately  
15 reflected in the -- in the comprehensive energy plan?

16 A. Yes. The -- my group did provide those  
17 numbers.

18 Q. And did those numbers include an initial  
19 fuel inventory?

20 A. I can't say for certain whether they did  
21 or didn't. They were based on engineering estimates.

22 Q. Based on -- based on your experience,  
23 would those engineering estimates likely have  
24 included fuel?

25 A. Likely not.

1           Q.       Okay. Now, are you aware that when  
2 Mr. Bassham testified, I believe it was on Monday of  
3 this week, that he gave at least the current --  
4 then-current numbers from the reforecast process?  
5 And I'm not going to ask you about the numbers  
6 because they're highly confidential, but are you  
7 aware of that testimony in general?

8           A.       I wasn't here for his testimony, but I  
9 understood that, yes.

10          Q.       Okay. And are you familiar with the  
11 numbers that -- that he was talking about?

12          A.       Generally.

13          Q.       Do the numbers that he was talking about  
14 with respect to Iatan 2 include fuel inventory or  
15 not?

16          A.       I can't say with certainty.

17          Q.       Okay. Now, with respect to the -- to  
18 the reforecast process -- and we've -- we've really  
19 just gotten some sort of bottom-line numbers from it,  
20 is it your understanding that when it's -- it's  
21 completely vetted and presented to the board and  
22 presented to the joint owners, that we will get  
23 something that looks somewhat like Mr. Price's risk  
24 and opportunity table that will have a fairly  
25 detailed breakdown of changes in contingency to -- to

1 move from the control budget to the current  
2 reforecast number?

3 A. I would expect that there would be  
4 information available.

5 Q. Okay. You've seen that kind of  
6 information, have you not?

7 A. I've seen some of that information, yes.

8 MR. MILLS: I think that's all the  
9 questions I have of this witness.

10 JUDGE STEARLEY: Thank you, Mr. Mills.  
11 Examination, AgProcessing.

12 MR. WOODSMALL: Thank you, your Honor.

13 CROSS-EXAMINATION BY MR. WOODSMALL:

14 Q. Good morning, Mr. Easley.

15 A. Good morning.

16 Q. Earlier in Mr. Dottheim's examination,  
17 he asked you to provide a definition for material as  
18 it applies to the construction of the Iatan 2 power  
19 plant. And I believe at that time that you stated  
20 \$100 million on a \$1.6 billion plant would be  
21 material. Do you recall that?

22 A. That was -- he asked my opinion. That  
23 was my opinion.

24 Q. Can you tell me what your definition of  
25 "material" would be as applies to the \$376 million



1 Iatan 1 project?

2 A. The materiality to me goes in the  
3 neighborhood of 10 percent, so it would be somewhere  
4 in that same range.

5 Q. Okay. So Iatan 1, it's approximately  
6 10 percent?

7 A. Well, it's less than 10, but 10 percent  
8 would be -- at a lower number would be my view of  
9 materiality.

10 Q. You stated previously in going through  
11 your position that you supervised the capacity  
12 planning department; is that correct?

13 A. Correct.

14 Q. And I believe in talking about that, you  
15 mentioned the Commission's IRP rule. Are you  
16 familiar with that?

17 A. Generally.

18 Q. Can you tell me if a new IRP analysis is  
19 underway to reflect the economics of continuing with  
20 the Iatan 1 project?

21 MR. ZOBRIST: Judge, I think this goes  
22 beyond the scope of the inquiry that we're here to  
23 conduct, and I object on the basis of relevancy.  
24 It's not linked to either the creditworthiness of the  
25 company or to the acquisition of Aquila. It may be

1    very appropriate for another proceeding or another  
2    matter, but not this proceeding.

3                   JUDGE STEARLEY:   Mr. Woodsmall?

4                   MR. WOODSMALL:   The feasibility of a  
5    company continuing on with \$2 billion of capital  
6    expenditures is very relevant to the current  
7    financial situation to their ongoing  
8    creditworthiness.  What could be more relevant than  
9    \$2 billion of expenditures?

10                  MR. ZOBRIST:   Judge, I did not  
11   understand that to be the question.  I understood it  
12   to be inquiry into an integrated resource planning  
13   issue and plans for capacity for the future.

14                  JUDGE STEARLEY:   That was my  
15   understanding as well, Mr. Woodsmall.  Perhaps you  
16   can clarify.

17                  MR. WOODSMALL:   Well, what I said was,  
18   is an IRP analysis underway to determine if the  
19   Iatan 1 and Iatan 2 projects are the most economic --  
20   are economically feasible?

21                  MR. ZOBRIST:   My objection still stands,  
22   Judge.

23                  JUDGE STEARLEY:   Okay.  I will overrule.  
24   You may answer the question to the extent that you  
25   may know.  If you don't know, Mr. Easley, you can

1 simply state that you don't know.

2 THE WITNESS: I can't say with  
3 certainty, so I don't know at this point.

4 BY MR. WOODSMALL:

5 Q. You don't know if the -- if the  
6 department that conducts IRP analysis under your  
7 supervision is looking at the new reforecast numbers  
8 in light -- or -- back that up.

9 You don't know if the IRP department is  
10 conducting analysis in light of the new reforecast  
11 numbers?

12 A. I don't believe they have been shared at  
13 that level.

14 Q. Okay. Do you anticipate that that will  
15 be done sometime in the future?

16 A. I would expect it would be, yeah.

17 Q. Do you have any idea of when that would  
18 occur?

19 A. Not specifically, no.

20 Q. Do you know if it's part of the vetting  
21 process or the process that's laid out for the  
22 reforecast?

23 A. I don't believe it's part of that.

24 Q. Okay. Moving on to Exhibit 132 -- do  
25 you still have that in front of you?

1           A.       Yes, I do.

2           Q.       That document -- if you turn to the  
3   third page of the document, and continuing on from  
4   there, it has four pages of items from the risk and  
5   opportunity table; is that correct?

6           A.       Yes, there are four pages labeled  
7   "Respective Unit Risk and Opportunity Table."

8           Q.       Okay. And can you tell me, that  
9   reflects the risk and opportunity table as of what  
10   date?

11          A.       I can't say with any certainty.

12          Q.       Okay. And if any of these questions are  
13   better for Mr. Davis or Mr. Foster, if you'd tell me  
14   which ones, you know, that would be great. You  
15   don't --

16          A.       I would say I have the same answer, that  
17   Terry Foster would be the better of the two to answer  
18   questions on this.

19          Q.       Okay. And can you tell me which of the  
20   risk and opportunity items reflected in these tables  
21   have been encapsulated in the new reforecast?

22          A.       I would believe all of them have been.

23          Q.       All of them?

24          A.       Not -- maybe not at the number that's  
25   here, but all of these issues have been reviewed and

1 estimates associated with them have been considered,  
2 and it's encompassed in the reforecast.

3 Q. Okay. Do you know if any of them were  
4 reviewed and then dismissed; that is, the number zero  
5 put on them?

6 A. I can't say with any certainty. I would  
7 expect that some had.

8 Q. Okay. So if I were to ask you questions  
9 about any specific item, that would be better for  
10 Mr. Foster?

11 A. To the extent that it's relevant. It  
12 would be more relevant for Mr. Foster.

13 Q. Okay. Do you know -- the contingency  
14 portion of -- when you do a definitive estimate,  
15 there is a contingency portion; is that correct?

16 A. Most estimates include a contingency  
17 portion.

18 Q. And as I understand it, that contingency  
19 portion reflects certain uncertainties, certain items  
20 that would otherwise be on the risk and opportunity  
21 table; is that correct?

22 A. Risk and opportunities typically  
23 yield -- or lead you to include more or less  
24 contingency, yes.

25 Q. Okay. Can you tell me if the new

1 reforecast will have a contingency?

2 A. Yes, it will have a contingency.

3 Q. Okay. So the fact that it has a  
4 contingency implies that there are still risk and  
5 opportunities associated with this project; is that  
6 right?

7 A. Absolutely.

8 Q. Can you identify what those may be?

9 A. There's a -- there's a number of risks  
10 associated with completing the project at this point;  
11 weather, labor availability, you know, material  
12 deliveries, quality could be an issue. There's a  
13 number of factors. There's still some items to be  
14 procured. So it's a -- it's uncertain until  
15 everything is done at this point to some degree or  
16 another.

17 Q. And will those risk and opportunity  
18 items be then considered when the company undertakes  
19 another reforecast at the 90 percent engineering  
20 completion level?

21 A. All factors would be considered to the  
22 best of the group's ability to weigh those and  
23 dollarize it at the end of the day.

24 Q. Can you tell me first off, do you have  
25 any compensation tied to completing Iatan 1 or

1 Iatan 2 within the new reforecast budget?

2 MR. ZOBRIST: Judge, I think that's not  
3 relevant to any of the issues that we're talking  
4 about here today. That may be relevant in a rate  
5 case where we're asking for recovery of certain  
6 amounts, but it's not relevant to the acquisition of  
7 Aquila with the creditworthiness of the company.

8 MR. WOODSMALL: This witness's  
9 compensation, his desire obviously to attain such  
10 compensation would -- may go to his bias on how  
11 accurate the reforecast is set. If he has  
12 compensation tied to the reforecast, he will  
13 obviously want that number set as high as possible so  
14 he can reach that. If he doesn't have any, it may  
15 eliminate that question of bias. So it goes to how  
16 reasonable this reforecast may be.

17 JUDGE STEARLEY: Do you have a response,  
18 Mr. Zobrist?

19 MR. ZOBRIST: No, Judge.

20 JUDGE STEARLEY: Okay. I'm going to  
21 sustain the objection. You will not answer that  
22 question.

23 MR. WOODSMALL: Your Honor, I'd like to  
24 make an offer of proof on this.

25 JUDGE STEARLEY: Very well.

1                   MR. WOODSMALL: Do we need to do  
2 anything with the court reporter or --

3                   JUDGE STEARLEY: I think she can  
4 indicate that this is an offer of proof. The  
5 objection to the relevancy of this has been  
6 sustained.

7                   MR. WOODSMALL: Okay.

8 OFFER OF PROOF BY MR. WOODSMALL:

9           Q.       Sir, can you tell me if you have any  
10 compensation tied to the completion of either Iatan 1  
11 or Iatan 2 within the new reforecasted budget?

12                  MR. ZOBRIST: You can answer subject to  
13 my objection and the judge's ruling. And should we  
14 be in-camera on something like this? Because it does  
15 deal with a personnel issue.

16                  JUDGE STEARLEY: If it's your  
17 preference, Mr. Zobrist, I will take us in-camera for  
18 this.

19                  MR. ZOBRIST: I don't know what the  
20 witness is going to answer.

21                  JUDGE STEARLEY: It's going to appear in  
22 the public transcript unless there's a request to  
23 make that confidential as well.

24                  MR. WOODSMALL: Well, maybe the first  
25 answer could be yes or no, and depending on that, we



1     could go in-camera at that point.

2                     JUDGE STEARLEY:   Okay.   All right.

3     Proceed.

4                     THE WITNESS:   Repeat the question to

5     make sure I'm answering it correctly.

6     BY MR. WOODSMALL:

7             Q.       Do you have any compensation tied to the  
8     completion of Iatan 1 or Iatan 2 within the new  
9     reforecasted amount?

10            A.       No.

11           Q.       Do you have any compensation tied to the  
12    completion of Iatan 1 or Iatan 2 within the schedule  
13    of the reforecast?

14           A.       I'm not certain.

15           Q.       You're not certain of your compensation  
16    package?

17           A.       As it applies here, correct.

18           Q.       Well, I'm trying to avoid going into  
19    camera.   Either we can go into camera and I can ask  
20    you all the different portions of your compensation  
21    package or you can tell me why you're not certain.

22           A.       I don't have any problem telling you  
23    why.

24           Q.       Okay.   Would you please tell me why  
25    you're uncertain?

1           A.       Okay. The -- certain portions of the  
2 long-term incentive plan for the officers of the  
3 company is tied to performance of the comprehensive  
4 energy plan and execution of that effectively, which  
5 is judged by the board of directors as to whether or  
6 not it has been effective in light of facts and  
7 circumstances. So to that degree, it could be  
8 subject to that.

9           Q.       Okay. Do you know if that item is tied  
10 to a specific date for completion of these projects?

11          A.       Not to my knowledge. Its effective  
12 performance I think is the way that it's  
13 characterized.

14                   MR. WOODSMALL: Okay. I'm done with my  
15 offer of proof.

16                   JUDGE STEARLEY: All right. Thank you,  
17 Mr. Woodsmall.

18 CROSS-EXAMINATION (RESUMED) BY MR. WOODSMALL:

19          Q.       And I -- just another couple questions.  
20 You were involved in the reforecast effort; is that  
21 correct?

22          A.       Yes, in some aspects.

23          Q.       Okay. And just for clarification, as I  
24 understand it, there's been essentially two phases to  
25 that that have been completed to date. There were

1 the initial gathering of information, putting  
2 together of numbers, and then the second phase was a  
3 vetting of those numbers. Would you agree with that  
4 assessment?

5 A. I would say that's reasonably accurate.

6 Q. Okay. Can you tell me whether you were  
7 involved in both of those phases?

8 A. No. I was not involved in the initial  
9 data-gathering section.

10 Q. Okay. So the limit of your involvement  
11 has been in the vetting phase?

12 A. Correct, although there was continued  
13 data gathering through that process that some of what  
14 I did could be characterized as data gathering.

15 Q. Okay. And then the next phase will be,  
16 I'll call it a presentation phase, be it to the board  
17 of directors, be it to outside owners, be it to  
18 Commissions, be it to SEC. Would you agree with that  
19 assessment?

20 A. I would say that once we complete, there  
21 will be a disclosure process, yes.

22 Q. Okay. And will you be involved in the  
23 presentation phase?

24 A. I would expect to some degree, yes.

25 Q. Okay. Can you tell me to date your

1 involvement through this vetting process, have you  
2 expressed any concerns that you need to minimize the  
3 number in the reforecast?

4 A. No.

5 Q. Have you heard anybody else express  
6 concerns that that reforecast needs to be minimized?

7 A. No.

8 MR. WOODSMALL: I have no further  
9 questions. Thank you.

10 JUDGE STEARLEY: Okay. Thank you,  
11 Mr. Woodsmall. Examination. I'm going through my  
12 list here: South Harper residents, Cass County, City  
13 of Kansas City, City of Independence, City of Lee's  
14 Summit, City of St. Joseph, Joint Municipals, Dogwood  
15 Energy, the IBEW Locals.

16 And as I have stated throughout this  
17 hearing, any party who's not present for examination  
18 of a witness will -- will be considered that they  
19 have waived examination of that witness. Examination  
20 by Black Hills.

21 MR. DeFORD: No questions, thank you.

22 JUDGE STEARLEY: Aquila.

23 MS. PARSONS: No questions.

24 JUDGE STEARLEY: Questions from the  
25 Bench. Commissioner Murray.

1                   COMMISSIONER MURRAY: No questions,  
2 Judge.

3                   JUDGE STEARLEY: Commissioner Clayton.

4                   COMMISSIONER CLAYTON: No questions.

5                   JUDGE STEARLEY: Commissioner Jarrett.

6                   COMMISSIONER JARRETT: No questions.

7                   JUDGE STEARLEY: Any examination by  
8 GPE/KCP&L?

9                   MR. ZOBRIST: Just one question, Judge.

10 CROSS-EXAMINATION BY MR. ZOBRIST:

11           Q.       Mr. Dottheim asked you about the new  
12 project director for the Iatan projects, and later on  
13 you mentioned the name Carl Churchman; is that  
14 correct?

15           A.       That's correct.

16           Q.       Okay. Is he -- is he going to have a  
17 vice president title as well?

18           A.       Yes, he's vice president of  
19 construction, and that was the reason for the  
20 uncertainty on the answer to his question.

21           Q.       Okay. And so he is succeeding to the  
22 position that David Price held at the company?

23           A.       Correct.

24                   MR. ZOBRIST: Okay. That's all I have,  
25 Judge.

1 JUDGE STEARLEY: Okay. Thank you,  
2 Mr. Zobrist. Mr. Easley, you may step down and I  
3 thank you for your testimony. At this time I am not  
4 going to finally excuse you just in case the  
5 Commission should have additional questions, but as  
6 for today, you are certainly free to go and continue  
7 on with your schedule.

8 THE WITNESS: Thank you. What do I do  
9 with these documents, just leave them or you want  
10 them?

11 JUDGE STEARLEY: And this looks like a  
12 good breaking point for us all. Why don't we take  
13 about a 15-minute break and pick up at 10:35.

14 (A RECESS WAS TAKEN.)

15 JUDGE STEARLEY: All right. We are  
16 going back on the record, and we are going to pick up  
17 with our second witness. Before that witness is  
18 called, I have a couple of quick announcements to  
19 make.

20 The hearing today will be -- we will be  
21 taking a break at noon for a scheduled agenda  
22 meeting, and consequently, I want to roll some time  
23 in for lunch for that as well. And I don't know if  
24 the parties present here will be attending agenda or  
25 not, so I would -- I would suggest that we're back at

1 about 1:30 to resume unless someone feels they need  
2 some additional time?

3 (NO RESPONSE.)

4 JUDGE STEARLEY: I'm not -- I'm not  
5 hearing any, so we will stick with that time frame.  
6 And also I -- I know we'd like to pick up a little  
7 bit of steam, all of us would, on our witness list.  
8 And I plan on staying later this evening, especially  
9 if we're in midstream with a witness. So if anyone  
10 needs to make arrangements, I want to give them full  
11 warning. All right. And with that, you may call  
12 your next witness.

13 MR. MILLS: Judge, before we go on, can  
14 I raise a housekeeping matter?

15 JUDGE STEARLEY: Certainly.

16 MR. MILLS: Exhibit 132 HC is a response  
17 to a data request from Public Counsel to KCPL. And  
18 we've had a lot of discussion about it on the record  
19 but we don't have the name of the responding witness  
20 from KCPL on it, and if we can get KCPL to identify.

21 The attachments to it are, you know,  
22 fairly straightforward numbers and people seem fairly  
23 familiar with that, but the -- the first page has  
24 some commentary about how those numbers should be  
25 interpreted and we don't really know who is giving

1     that interpretation, and I think it would be helpful  
2     for the record to reflect who that is.

3                     And, in fact, it's actually required  
4     under 4 CSR 240-0902 that, "Answers to data requests  
5     shall be signed by the person who is able to attest  
6     to the truthfulness and correctness of the answers."  
7     So I think we need that name in the record.

8                     JUDGE STEARLEY:   Mr. Zobrist?

9                     MR. ZOBRIST:   Judge, Mr. Mills mentioned  
10    this just before we went on the record, and I advised  
11    him that I did not know who the responding witness  
12    was and we will inquire into that.   I do believe,  
13    however, that when the witness who was next in order,  
14    Mr. Davis, was being deposed, I believe that he did,  
15    you know, under oath verify that he agreed with this,  
16    but I will certainly pursue Mr. Mills' request and  
17    get him a response.

18                    JUDGE STEARLEY:   Okay.   Yeah, perhaps we  
19    could get that response before the conclusion of the  
20    hearing at minimum.

21                    MR. ZOBRIST:   That's fine.   We'll  
22    certainly do our best.

23                    JUDGE STEARLEY:   All right.   All right.  
24    Thank you.   Any other matters we need to take up?

25                    MR. DOTTHEIM:   No.   And again, the Staff



1 had that document marked as an exhibit, but it's  
2 actually a response to the -- a data request of the  
3 Office of Public Counsel. And although it's  
4 denominated as a responding witness, of course it  
5 need not be a responding witness who actually  
6 answered it. It's -- under the Commission rules, of  
7 course, it's -- it's just a requirement as to a need  
8 for an identification as to who is responsible from  
9 GPE/KCP&L for the response.

10 MR. FISCHER: Judge, KCPL can certainly  
11 stipulate to the authenticity of it. It's our  
12 understanding that it was prepared in the regulatory  
13 department or Chris Giles, and -- but we'll stipulate  
14 to the authenticity of the cover sheet and the  
15 attachments, so ...

16 JUDGE STEARLEY: All right. And if you  
17 could please try to locate the sponsor of this, as we  
18 had previously stated, that would be very helpful.

19 MR. FISCHER: Like I said, I think it  
20 was prepared with -- with -- under Chris Giles.

21 JUDGE STEARLEY: Under him?

22 MR. FISCHER: Uh-huh.

23 JUDGE STEARLEY: All right. Let's call  
24 the next witness.

25 MR. DOTTHEIM: Staff calls as its next

1 witness Mr. Brent Davis.

2 (The witness was sworn.)

3 JUDGE STEARLEY: Thank you. You may be  
4 seated and you may proceed.

5 DIRECT EXAMINATION BY MR. DOTTHEIM:

6 Q. Good morning, Mr. Davis.

7 A. Good morning, Mr. Dottheim.

8 Q. Mr. Davis, you haven't testified before  
9 in this proceeding. It would be helpful if you could  
10 provide some background. Could you indicate the  
11 nature of your position with GPE/KCPL?

12 A. I'm currently the unit 1 project  
13 director.

14 Q. And when you say "unit 1 project  
15 director," is that Iatan 1 unit project director?

16 A. That's correct.

17 Q. Okay. And could you provide us some  
18 information as far as your education?

19 A. I graduated from University of Missouri  
20 at Rolla in 1980 with a degree -- BS in engineering  
21 management, and 1999 from Rockhurst University with  
22 an MBA.

23 Q. And Mr. Davis, could you provide us some  
24 information about your employment history prior to  
25 your employment as Iatan unit 1 project director?

1           A.       I hired on with the company directly  
2   from college, started out at Montrose station as a  
3   maintenance engineer. Have held positions at all  
4   four of our coal-fired power plants in operations and  
5   maintenance. Most recently I was plant manager at  
6   Hawthorn or Hawthorn station before becoming involved  
7   in the project.

8           Q.       And when you say "before becoming  
9   involved in the project," are you referring to the  
10  Iatan 2 and the Iatan 1 projects?

11          A.       That's correct.

12          Q.       Okay. And by the -- the "Iatan 1  
13  projects," is that the environmental enhancement  
14  matters regarding Iatan 1?

15          A.       Yes.

16          Q.       Okay. And could you indicate  
17  approximately when you began working on the Iatan 2  
18  and Iatan 1 projects?

19          A.       June of 2006.

20          Q.       Okay. And could you indicate  
21  approximately the date you worked on the Iatan 2  
22  project?

23          A.       Directly?

24          Q.       Yes.

25          A.       June of 2006 till somewhere around

1 November of 2007.

2 Q. And if you could provide the dates for  
3 your work directly on the Iatan 1 project.

4 A. November -- approximately November 2007  
5 to the present.

6 Q. Okay. Mr. Davis, other than your work  
7 on the Iatan 2 and the Iatan 1 projects, have you  
8 worked on any of the other comprehensive energy  
9 program projects?

10 A. No.

11 Q. Mr. Davis, does the term "risk and  
12 opportunity table" have any meaning for you?

13 A. Yes.

14 Q. Okay. Could you identify what that term  
15 means to you?

16 A. It's a compilation of risk and  
17 opportunities associated with the Iatan 1 and Iatan 2  
18 projects.

19 Q. Was there a specific matter analysis  
20 that was being performed relating to Iatan 2 and  
21 Iatan 1 that involved the compilation of a risk and  
22 opportunity table?

23 A. Can you repeat that question?

24 MR. DOTTHEIM: Yeah. Could you read the  
25 question back?

1                   (THE COURT REPORTER READ BACK THE  
2 PREVIOUS QUESTION.)

3                   THE WITNESS: What do you mean by  
4 "matter analysis"?

5 BY MR. DOTTHEIM:

6           Q.       Did -- you, of course, know who David  
7 Price was, do you not?

8           A.       Yes.

9           Q.       Okay. And was Mr. Price engaged in any  
10 analysis involving him working with a risk and  
11 opportunity table or tables?

12          A.       Yes.

13          Q.       Okay. And did that work involve the  
14 Iatan 2 and the Iatan 1 projects?

15          A.       Yes.

16          Q.       When did he -- can you identify when he  
17 started on the Iatan 2 and the Iatan 1 projects?

18          A.       May of 2007.

19          Q.       Can you identify when his work  
20 respecting a risk and opportunity table or tables  
21 relating to Iatan 2 and the Iatan 1 projects  
22 commenced?

23          A.       I actually believe we started the risk  
24 and opportunity table a little bit before Dave got  
25 there, and he continued it on.

1 Q. And can you identify a month when that  
2 work started?

3 A. It was probably May -- April, March,  
4 April time frame, sometime in relatively early 2007.

5 Q. Was -- was that work with the risk and  
6 opportunity table or tables at least initially  
7 referred to as a reforecast?

8 A. No.

9 Q. Did -- at some stage did that work  
10 become or lead to what is now the reforecast process?

11 A. Yes.

12 Q. Okay. Can you identify at -- an  
13 approximate date or time when that event occurred,  
14 when the risk and opportunity table or analysis  
15 changed and the reforecast process or work commenced?

16 A. We formally kicked off the reforecast in  
17 early December, 2007.

18 Q. What was the reason for the change?

19 A. In compiling risk and opportunity items?

20 Q. Yes.

21 A. We had seen enough movement that we felt  
22 like a reforecast was warranted and a more detailed  
23 look at those risk and opportunity items.

24 Q. Can you identify -- and you may have  
25 done so or started doing so. In your view what is

1 the difference between a risk and opportunity table  
2 analysis and a reforecast?

3 A. In my opinion, the risk and opportunity  
4 table was a input into the total reforecasting  
5 effort.

6 MR. DOTTHEIM: May I approach the  
7 witness?

8 JUDGE STEARLEY: You may.

9 BY MR. DOTTHEIM:

10 Q. Mr. Davis, I'm going to give you a copy  
11 of an exhibit which has been marked as Exhibit 132.  
12 (Mr. Dottheim handed the witness the document.)

13 Mr. Davis, have you had an opportunity  
14 to take a look at what's been marked as Exhibit 132?

15 A. Yes, sir.

16 Q. Okay. Can you identify that document?

17 A. Yes.

18 Q. Okay. I'll represent to you that that  
19 document contains a cover page which is a page which  
20 is from GPE/KCPL restating a data request from the  
21 Office of Public Counsel, and on that same page  
22 provides a narrative response to a data request from  
23 the Office of Public Counsel. And attached to that  
24 page are a number of pages provided by GPE/KCPL. Can  
25 you identify each of those pages?

1           A.       I believe the first time I saw this  
2 document was during my deposition in mid March.  
3 Based on that, I'm generally aware of what these  
4 pages have -- contain.

5           Q.       But prior to the deposition in mid March  
6 when I handed this document to you, had you  
7 previously seen these pages?

8           A.       Not in its entirety, no. I had seen a  
9 subset.

10          Q.       And -- and when you say "a subset," what  
11 do you mean by a subset?

12          A.       The pages marked 2 of 5, 3 of 5, 4 of 5  
13 and 5 of 5 appear to be our risk and opportunity  
14 tables as I assume they existed at this time that we  
15 had been working with and developing our reforecast,  
16 although we had never -- I had never seen them  
17 totaled like they are here.

18          Q.       And when you say that "we had been  
19 working on," when you say "we," who do you mean by  
20 "we"?

21          A.       Project leadership team and virtually  
22 everybody that was involved in the reforecast effort.

23          Q.       The pages that follow after 2 of 5, 3 of  
24 5 and 4 of 5, the three pages which are pie charts,  
25 you had not seen those previously to your deposition



1 in March?

2 A. No.

3 Q. And you had not previously seen the page  
4 that precedes page 2 of 5, the page that has up at  
5 the top "Iatan Unit 1 Estimated Risk as of January 1,  
6 2008"?

7 A. No.

8 Q. And -- and you had not seen the cover  
9 page?

10 A. No, not prior to the deposition.

11 Q. I think you've indicated that work  
12 commenced on the reforecast in December of 2007?

13 A. (Nodded head.)

14 Q. Was there a projected date for  
15 completion of the reforecast?

16 A. I believe there was.

17 Q. Do you recall what that date was?

18 A. I don't recall specifically what the  
19 date was at that time.

20 Q. Do you recall whether the projected date  
21 was in January of 2008?

22 A. That may have been a date at one time,  
23 late January, early February.

24 Q. When the work commenced -- well,  
25 you've -- you've previously indicated that a decision

1 was made to commence work on a reforecast, if I  
2 understood you correctly, because of trends that had  
3 been identified based on the work on the risk and  
4 opportunity table?

5 A. (Nodded head.)

6 Q. What trends are you referring to?

7 A. The use of contingency on unit 1 was one  
8 of our earliest indications. We were depleting that  
9 contingency quicker than we had planned.

10 Q. And when you say "depleting that  
11 contingency," was that due to costs being greater  
12 than had been expected? Could you explain what  
13 you -- what you mean by depleting the contingency  
14 greater than had been planned?

15 A. It was a combination of several factors,  
16 many of which are contained in the line items on the  
17 R&O table for unit 1. There were scope items, there  
18 were some price consideration. So it was a variety  
19 of factors that had caused the contingency to be  
20 depleted quicker than what we had originally planned.

21 Q. You made a -- I think a reference to a  
22 note table. Did you make a reference to a note table  
23 or did I misunderstand you?

24 A. If I did, I meant the R&O table.

25 Q. I'm sorry. I -- I -- I misunderstood

1     you. And by "R&O table," you mean risk and  
2     opportunity table?

3             A.       Yes.

4             Q.       Were you -- and when you say "trends,"  
5     were those trends both in cost and schedule?

6             A.       Back at that time it would have been  
7     mostly cost.

8             Q.       Were you seeing trends respecting the  
9     Iatan 2 project?

10            A.       Are you talking the time frame when we  
11    first started the -- the R -- the R&O table or the  
12    reforecast?

13            Q.       I'm -- I'm now referring to the -- when  
14    you first started the R&O table.

15            A.       We began capturing items on unit 2, but  
16    our focus was unit 1, as I recall.

17            Q.       And even with your focus on -- on unit 1  
18    but you were capturing items on unit 10 -- on unit 2,  
19    were you identifying trends respecting unit 2 at that  
20    time?

21            A.       It would probably have been more just  
22    capturing things that we know that might have  
23    changed, design, et cetera.

24            Q.       When you commenced the reforecast, the  
25    reforecast included both Iatan 2 and Iatan 1, did it

1 not?

2 A. That's correct.

3 Q. When you commenced the reforecast, were  
4 you identifying trends respecting Iatan 2?

5 A. Yes.

6 Q. Okay. What trends were you identifying  
7 respecting Iatan 2?

8 A. We looked in several different areas.  
9 Particularly, we looked at -- to give you an example,  
10 we looked at change orders under each of our  
11 contracts, what were the trends we were seeing there,  
12 what were the issues we were seeing, and using that  
13 to try to project if we needed to allot more money in  
14 the cost reforecast in that area.

15 Q. Was the reforecasting verifying the  
16 trends you had previously been seeing with the R&O  
17 table respecting Iatan 1?

18 A. We tried to capture the trends that we  
19 saw and account for those.

20 Q. Could you identify who was involved in  
21 the risk and opportunity table analysis?

22 A. Virtually everyone on the project  
23 management team, KCPL project management team, had  
24 input into that R&O analysis.

25 Q. Did the scope of involvement change when

1 the analysis -- when the analysis went from the risk  
2 and opportunity analysis to the reforecast process?

3 A. No.

4 Q. Did the individuals who were working on  
5 this area, this matter, change; that is, were there  
6 people who were added or people who were subtracted  
7 when the work went from the risk and opportunity  
8 table analysis to the reforecast process?

9 A. The individuals changed, but it was more  
10 based on the specific R&O item and those that needed  
11 to be developed further. Then different individuals  
12 may be brought in to get that information. Did that  
13 answer your question?

14 Q. Was Schiff Hardin involved in the risk  
15 and opportunity table analysis?

16 A. Early on they were aware. Their -- I  
17 can't recall their level of involvement.

18 Q. Were they involved later in the risk and  
19 opportunity table analysis?

20 A. They have been involved at various  
21 levels throughout, and they've been very involved in  
22 the cost reforecast effort.

23 Q. Do you attend the CEP oversight  
24 committee meetings?

25 A. Yes.

1           Q.       Do you attend the CEP oversight  
2 committee meetings as a member of the leadership  
3 team?

4           A.       Yes.

5           Q.       Are presentations made to the CEP  
6 oversight committee respecting first the R&O table  
7 analysis when it was being performed?

8           A.       I believe the R&O table was shown to the  
9 oversight committee at one point in time.

10          Q.       Do you recall when that may have been?

11                 MR. ZOBRIST: Judge, I'm going to begin  
12 to object because the details of the meetings of the  
13 oversight committee and the project leadership team  
14 have been covered by Mr. Easley and in part by  
15 Mr. Bassham and Mr. Downey. And I think these kinds  
16 of details are not relevant to the inquiry that the  
17 Commission has ordered to be conducted in this  
18 proceeding.

19                 JUDGE STEARLEY: Mr. Dottheim, are you  
20 leading us somewhere with this?

21                 MR. DOTTHEIM: Yes, I -- I think I am,  
22 and I think it will become clearer with this witness  
23 and the next witness as we go along, if I'm permitted  
24 to do so. And that is the matter of the timing of  
25 this analysis and as a consequence, when the Staff

1    became aware of it and ultimately when this entire  
2    matter could have been brought to the attention of  
3    the Commission even in the context of this -- this  
4    case.  So it -- it is relevant.

5                   JUDGE STEARLEY:  Mr. Zobrist, anything  
6    else?

7                   MR. ZOBRIST:  Well, Judge, I would say  
8    that the details that Mr. Dottheim is going into with  
9    Mr. Davis and certainly part of the inquiry with  
10   Mr. Easley relate to matters that should be brought  
11   to the attention of the Commission and the parties in  
12   a comprehensive energy plan docket, not the merger  
13   docket.

14                  So if that's where he's leading, I think  
15   we're running down a foxhole and I object on the  
16   basis of relevancy.

17                  JUDGE STEARLEY:  At this point I'm going  
18   to overrule and allow you to further inquire,  
19   Mr. Dottheim, and hoping we'll tie it all in here  
20   with a few more questions.

21   BY MR. DOTTHEIM:

22                  Q.     Mr. Davis, you are part of a group that  
23   made quarterly presentations to the Staff and other  
24   entities respecting the Iatan 1 and the Iatan 2  
25   projects, are you not?

1           A.       Yes.

2           Q.       Were you present at the CEP oversight  
3 committee meeting last Friday, April 25, where the  
4 reforecast was presented to the oversight committee?

5           A.       Yes.

6           Q.       Were you involved in the presentation?

7           A.       Yes.

8           Q.       Okay. What is your understanding as to  
9 when the reforecast will be made available  
10 officially, when there will be an official release of  
11 the reforecast?

12          A.       I believe the plan, depending on the  
13 board's action, would be sometime late next week,  
14 early the following week.

15          Q.       What is your understanding as to what  
16 remains to be done before that can occur?

17          A.       We've got some final vetting to do with  
18 Dan Meyers, which I believe you've heard about  
19 previously, and a few things to -- action items to do  
20 with the presentation, but the main issue is the  
21 final look from Dan Meyer.

22          Q.       Can you indicate what it is specifically  
23 he is doing at this stage that is necessary before  
24 the report becomes final?

25          A.       Generally I can.



1                   MR. ZOBRIST: If you could discuss it  
2 generally without reference to specifics, I don't  
3 think we need to go in-camera.

4                   THE WITNESS: I think I can do that.

5                   MR. ZOBRIST: Okay.

6                   THE WITNESS: Dan was -- Dan was  
7 involved in the process throughout, so he is very  
8 familiar with the process we used. I believe what  
9 Dan is going to do is review some of the assumptions  
10 that were made in there, test those assumptions, take  
11 a view of the contingency that we had against some of  
12 those assumptions, et cetera, and -- and make certain  
13 that he would not make any changes in some of those  
14 recommendations.

15 BY MR. DOTTHEIM:

16               Q.       Was Mr. Meyer not involved in the  
17 reforecast process as it was occurring?

18               A.       He was. He was not in all of our  
19 meetings.

20               Q.       Mr. Davis, as a member of the leadership  
21 team, do you attend meetings of the joint ownership  
22 committee?

23               A.       Yes, I do.

24               Q.       Are there separate meetings of the joint  
25 ownership committee for Iatan 2 and Iatan 1?

1           A.       Same day, separate meetings, yes.

2           Q.       Are the purposes of those meetings  
3 solely to address matters relating to the Iatan 2 and  
4 Iatan 1 construction projects?

5           A.       Not solely.

6           Q.       Are the purpose of the meetings  
7 principally to address matters respecting the Iatan 2  
8 and Iatan 1 construction projects?

9           A.       Yes.

10          Q.       Was the time -- excuse me. Was the risk  
11 and opportunity table analysis discussed at the joint  
12 ownership committee meetings?

13                 MR. ZOBRIST: Judge, I object. I  
14 believe this is cumulative and redundant of what  
15 Mr. Easley discussed, but I think what goes on with  
16 the joint owner -- owners in their meetings is not  
17 relevant again to the issues that the Commission has  
18 directed this portion of the proceeding address.

19                 JUDGE STEARLEY: Mr. Dottheim?

20                 MR. DOTTHEIM: Yes. We are later today  
21 going to have two Aquila witnesses, I believe both of  
22 whom attended those -- those meetings. So in part,  
23 my questioning is related to that. And what is  
24 conveyed to the -- to the -- to the other owners  
25 is -- again, goes to the matter of Aquila being one

1 of the -- the other owners.

2 And if KCPL -- excuse me -- GPE acquires  
3 Aquila, KCPL has greater exposure. So from a  
4 creditworthiness perspective, it's -- it's related as  
5 far as what may be communicated to the joint owners  
6 regarding cost and schedule respecting the Iatan 2  
7 and the Iatan 1 projects.

8 JUDGE STEARLEY: I believe we are  
9 getting a bit cumulative, Mr. Dottheim, but I am  
10 going to allow you a little bit of latitude here and  
11 I am going to overrule, allow you to continue.

12 BY MR. DOTTHEIM:

13 Q. Mr. Davis, you're not the only Kansas  
14 City Power & Light individual who attends the joint  
15 ownership committee meetings, are you?

16 A. No.

17 Q. Could you identify generally, is it the  
18 other members of the leadership team, the KCPL Iatan  
19 leadership team who attend the joint ownership --  
20 joint owner committee meetings?

21 A. Various members of the leadership team  
22 will attend depending on the agenda.

23 MR. DOTTHEIM: If I could have a moment,  
24 please?

25 JUDGE STEARLEY: Certainly,

1 Mr. Dottheim.

2 BY MR. DOTTHEIM:

3 Q. Mr. Davis, the present change or  
4 difference between the reforecast numbers and the  
5 control budget estimate, what are those differences  
6 in general due to? Are they due -- the results of  
7 change orders, change of design? What factors would  
8 have resulted in the reforecast result having a  
9 different number than the control budget estimate  
10 number?

11 MR. ZOBRIST: Judge, I think unless we  
12 speak in extremely general terms, we need to go into  
13 highly confidential session.

14 MR. DOTTHEIM: Yeah, and I just -- I  
15 wanted to start just general and then I wanted to ask  
16 him -- Mr. Davis a specific question which I did want  
17 to go in-camera for.

18 JUDGE STEARLEY: All right. Well, we'll  
19 do the general question first, and then I'll take us  
20 to in-camera.

21 THE WITNESS: Can you repeat the  
22 question?

23 MR. DOTTHEIM: Okay.

24 (THE COURT REPORTER READ BACK THE  
25 PREVIOUS QUESTION.)

1                   THE WITNESS: All of those factors you  
2 mentioned had an impact in what's listed on the R&O  
3 table currently. If I got into any more specifics, I  
4 think I'd need to go in-camera.

5                   MR. DOTTHEIM: Okay. Why don't we go  
6 in-camera.

7                   (REPORTER'S NOTE: At this point, an  
8 in-camera session was held, which is contained in  
9 Volume 22, pages 2733 through 2734 of the  
10 transcript.)

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1 JUDGE STEARLEY: We are back in the  
2 public forum.

3 MR. DOTTHEIM: Okay. And if I could  
4 have a moment, please.

5 JUDGE STEARLEY: Certainly,  
6 Mr. Dottheim.

7 DIRECT EXAMINATION (CONTINUED) BY MR. DOTTHEIM:

8 Q. Mr. Davis, do you know whether the  
9 present plans are to engage in another reforecast  
10 before the Iatan 2 project is completed and in  
11 service?

12 A. There's been discussion about it, yes.

13 Q. Do you know when --

14 (OVERHEAD ANNOUNCEMENT.)

15 JUDGE STEARLEY: Please continue,  
16 Mr. Dottheim.

17 BY MR. DOTTHEIM:

18 Q. Do you know when a decision will be made  
19 if another reforecast will be conducted?

20 A. No.

21 Q. Based on the reforecast results that  
22 presently exist, would you expect that the cost of  
23 Iatan 2, when it is completed and in service, will be  
24 the same, higher or lower than the amount that is  
25 shown by the reforecast?

1                   MR. ZOBRIST: Judge, as we did with  
2 Mr. Easley, we should go to in-camera session for  
3 responses.

4                   JUDGE STEARLEY: Very well. My  
5 apologies to the people in the back, playing musical  
6 chairs right now.

7                   (REPORTER'S NOTE: At this point, an  
8 in-camera session was held, which is contained in  
9 Volume 22, pages 2737 through 2738 of the  
10 transcript.)

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1 JUDGE STEARLEY: Back on the public  
2 record just long enough for me to place us in recess  
3 as I had earlier instructed, and we will come back in  
4 approximately an hour and a half.

5 (THE LUNCH RECESS WAS TAKEN.)

6 JUDGE STEARLEY: All right. If we're  
7 ready to go back on. We are back on the record and  
8 we are going to resume the examination of Mr. Davis.  
9 And Mr. Davis, you're reminded that you're still  
10 under oath.

11 THE WITNESS: Yes, sir.

12 JUDGE STEARLEY: And Mr. Dottheim, you  
13 may proceed.

14 MR. DOTTHEIM: I think I had a question  
15 pending. Maybe I could have the -- if we could have  
16 the reporter read the question back.

17 (THE COURT REPORTER READ BACK THE  
18 PREVIOUS QUESTION.)

19 MR. WOODSMALL: Your Honor, I would note  
20 that that was done in-camera.

21 JUDGE STEARLEY: I was just sitting here  
22 thinking that that perhaps was. Is there an issue  
23 with the classification of that information?

24 MR. ZOBRIST: I don't believe so.

25 JUDGE STEARLEY: All right. Very well.



1 DIRECT EXAMINATION (CONTINUED) BY MR. DOTTHEIM:

2 Q. And I would follow that up and ask  
3 again, by assumed, assuming the in-service date of  
4 the summer of 2010, what do you mean by "assumed"?  
5 Was that not independently reviewed? Was that date  
6 just taken as a given?

7 A. You're talking in the context of the  
8 reforecast?

9 Q. Yes.

10 A. No. All indications are that that  
11 summer of 2010 still holds, and that was the basis of  
12 our reforecast.

13 Q. And when you say the "summer of 2010,"  
14 is it any more definite of a date than summer of  
15 2010?

16 MR. ZOBRIST: If we're going to talk  
17 specific dates on the reforecast, then I'm afraid  
18 we're going to have to go back in-camera because this  
19 is not yet public information.

20 JUDGE STEARLEY: All right. Very good.

21 (REPORTER'S NOTE: At this point, an  
22 in-camera session was held, which is contained in  
23 Volume 22, pages 2741 through 2742 of the  
24 transcript.)

25

1 JUDGE STEARLEY: We are back in public  
2 forum.

3 DIRECT EXAMINATION (CONTINUED) BY MR. DOTTHEIM:

4 Q. Mr. Davis, I apologize. I don't think I  
5 asked you this question previously, but maybe I did.  
6 The reforecast, is the reforecast numbers, do they  
7 constitute a new control budget estimate?

8 A. Not in my mind.

9 MR. DOTTHEIM: I think those are all the  
10 questions I have at this time. I think, though, when  
11 Mr. Davis took the stand, I didn't ask him his name.  
12 I didn't ask him to spell his name for the court  
13 reporter.

14 JUDGE STEARLEY: If you'd like to go  
15 ahead and do that, Mr. Dottheim, just to dot all the  
16 I's and cross the T's, go right ahead.

17 BY MR. DOTTHEIM:

18 Q. Mr. Davis, if you could just state your  
19 name and actually spell your first and last name,  
20 please.

21 A. Brent Davis, B-r-e-n-t, D-a-v-i-s.

22 MR. DOTTHEIM: Thank you. And thank you  
23 for your patience, Mr. Davis.

24 THE WITNESS: Thank you.

25 JUDGE STEARLEY: And thank you,

1 Mr. Dottheim. Mr. Mills, examination.

2 MR. MILLS: I don't have any questions  
3 for Mr. Davis this afternoon. Thank you.

4 JUDGE STEARLEY: AgProcessing.  
5 Mr. Woodsmall.

6 MR. WOODSMALL: Thank you, your Honor.  
7 CROSS-EXAMINATION BY MR. WOODSMALL:

8 Q. Good afternoon, sir. I'm just going to  
9 try and fill in some gaps from Mr. Dottheim's  
10 questions, so I'll be scratching out a number of  
11 things.

12 But can you tell me -- we've talked  
13 about a reforecast -- a subsequent reforecast for  
14 Iatan 2 that will come at the 90 percent engineering  
15 milestone. Can you tell me if there are any  
16 reforecasts -- additional reforecasts scheduled for  
17 Iatan 1?

18 A. No, there aren't.

19 Q. Okay. Can you tell me what the percent  
20 engineering complete is for Iatan 1?

21 A. Not exactly, but it's approaching or  
22 over 90 percent.

23 Q. I believe you told us in the deposition  
24 that you had been involved in the rebuild of  
25 Hawthorn 5 from an operation standpoint; is that

1 correct?

2 A. That's correct.

3 Q. Okay. You told us here today that  
4 you've had some involvement in your past experience  
5 at LaCygne; is that correct?

6 A. I have worked at LaCygne before, that's  
7 correct.

8 Q. Okay. Can you tell me if you know, when  
9 they rebuilt Hawthorn 5, did they conduct a  
10 reforecast at any time during that rebuild?

11 MR. ZOBRIST: Judge, I object. I think  
12 it's beyond the scope of the questions that this  
13 portion of this proceeding are to focus on. I don't  
14 see any relevance to what happened at the Hawthorn  
15 rebuild to the Iatan projects and their relationship  
16 to the merger.

17 JUDGE STEARLEY: Okay. What's the --  
18 yes, Mr. Woodsmall?

19 MR. WOODSMALL: I'll just drop the  
20 question. I think he's probably right.

21 JUDGE STEARLEY: All right. Thank you.

22 MR. WOODSMALL: You're welcome.

23 BY MR. WOODSMALL:

24 Q. Do you have Exhibit 132 in front of you?

25 A. I gave it back to Mr. Dottheim, I

1 believe.

2 (MR. DOTTHEIM HANDED DOCUMENT TO  
3 MR. WOODSMALL.)

4 MR. WOODSMALL: Thank you, Mr. Dottheim.

5 BY MR. WOODSMALL:

6 Q. Would you turn, please, to what is  
7 marked page 2 of 5 and page 3 of 5? Do you have  
8 that?

9 A. Yes, I do.

10 Q. And that is the risk and opportunity  
11 table for Iatan unit 1; is that correct?

12 A. That's correct.

13 Q. And you're the project manager --  
14 manager for Iatan 1 construction project; is that  
15 correct?

16 A. That's correct.

17 Q. Can you tell me, this risk and  
18 opportunity table, this was the risk and opportunity  
19 table effective as of what date?

20 A. I -- I can't tell you for certain, but  
21 it would have been sometime early this year.

22 Q. Okay. And for purposes of the  
23 reforecast, you had to establish a date for looking  
24 at the risk and opportunity table; is that correct?

25 A. That's correct.

1 Q. And what was that date?

2 A. December 31st of 2007.

3 Q. Okay. And any risk and opportunities  
4 that have occurred since that date would not have  
5 been looked at in the context of the reforecast; is  
6 that true?

7 A. No. They would have been looked at.

8 Q. So the December 31st date was not an  
9 absolute date, is that what you're telling me?

10 A. No. I'm -- what I'm telling you is any  
11 R&Os -- or any R&O items that came up after that date  
12 that have not been -- had already hit our cost -- our  
13 cost report, would be included in this R&O item, R&O  
14 list.

15 Q. Okay.

16 A. That's so we make certain that we catch  
17 all the costs included.

18 Q. Have there been -- are you aware of any  
19 R&O items that have arisen that because of their  
20 timing did not get included in the reforecast?

21 A. I'm not aware of any off the top of my  
22 head.

23 Q. Okay. And as the project manager, would  
24 you be aware of those R&O items?

25 A. Probably.

1           Q.       Okay. Turning to page 2 and page 5,  
2       just a general discussion at first. Can you tell me  
3       for any particular item on here, how would the item  
4       during the reforecast process, how would that item go  
5       from an R&O table to being included in the new budget  
6       in the new reforecast?

7           A.       It was -- it would have been originally  
8       identified by an individual. Most -- many of these  
9       items were identified by our engineering discipline  
10      leads. That would have been in our data-gathering  
11      phase. That same individual and possibly others  
12      would have had to have supplied documentation around  
13      that R&O item, both showing why it's needed,  
14      explaining why it's needed, categorizing it,  
15      et cetera.

16                   And then that R&O item was vetted with  
17      the leadership team which is the phase we've been in  
18      for some time to determine whether the R&O item was  
19      indeed going to go forward, whether -- what -- what  
20      its disposition would be.

21          Q.       Okay. And can you tell me during the  
22      vetting phase, was there a standard that was applied?  
23      For instance, as a hypothetical, let's say there was  
24      XYZ R&O item that had a probability of 80 percent.  
25      Was there a probability standard that meant that that

1 got transferred to the reforecast, or how was that  
2 determined?

3 A. There was a -- there was a probability  
4 associated with many of the items. It wasn't used as  
5 a standard of whether they went on to the final  
6 reforecast or not. It was -- each item stood on its  
7 own merit.

8 Q. Okay.

9 A. In other words, you might have an item  
10 that had a low probability but still had enough of a  
11 risk associated with it that you would want to  
12 include it in the reforecast.

13 Q. Would the probability come into play  
14 from the standpoint of what that number was budgeted  
15 at in the new reforecast?

16 A. Yes.

17 Q. Can you tell me how that worked?

18 A. Depending on the item and the nature of  
19 the item, I'll give you an example. If you had an  
20 item identified that its potential overall cost  
21 impact could be \$1 million and it had a 25 percent  
22 probability, you would apply that 25 percent to that  
23 \$1 million and it'd go in the cost reforecast at  
24 \$250,000.

25 Q. I see. You were involved in the



1 data-gathering portion of the reforecast; is that  
2 correct?

3 A. That's correct.

4 Q. Were you also involved in the vetting  
5 portion of the reforecast?

6 A. Yes, I was.

7 Q. And will you be involved in the next  
8 portion, presentation to management -- presentation  
9 to the board? I'm sorry.

10 A. Not to the presentation to the board.

11 Q. Okay. Is your involvement in the  
12 reforecast, then, completed?

13 A. No, I wouldn't say it's complete.

14 Q. What -- what duties do you have going  
15 forward as far as the reforecast?

16 A. I would expect to review the outcome of  
17 Mr. Meyer's review and have a discussion around it.

18 Q. Okay. Given your involvement to date,  
19 can you tell me as an individual, as the project  
20 manager for Iatan 1, are you comfortable with the  
21 final number in the reforecast for Iatan 1?

22 A. Yes.

23 Q. If I picked out any specific item off  
24 the R&O table, would you know what the probability  
25 was that was assigned to that item?

1           A.       No.

2           Q.       Okay.  Who would know that?

3           A.       We'd -- we'd probably have to refer back

4   to our documentation.

5           Q.       Do you know if that -- if the

6   probability will be reflected in the reforecast that

7   we get sometime in the near future?

8           A.       It's reflected in our overall

9   documentation.

10          Q.       Do you know if that will be reflected in

11   the documentation that is given in the presentation

12   phase?

13          A.       No, I don't know.

14                   MR. WOODSMALL:  I don't have any further

15   questions.  Thank you, sir.

16                   JUDGE STEARLEY:  Thank you,

17   Mr. Woodsmall.  Examination from Black Hills.

18                   MR. DeFORD:  No questions, thank you.

19                   JUDGE STEARLEY:  Aquila.

20                   MS. PARSONS:  No questions.

21                   JUDGE STEARLEY:  Questions from the

22   Bench.  Commissioner Murray.

23                   COMMISSIONER MURRAY:  I don't have any

24   questions, thank you.

25                   JUDGE STEARLEY:  All right.  Well, it

1 appears we don't have any additional questions from  
2 the Bench. Any reexamination by GPE/KCPL?

3 MR. ZOBRIST: Just briefly, Judge.

4 CROSS-EXAMINATION BY MR. ZOBRIST:

5 Q. Mr. Davis, in your capacity at Iatan 1,  
6 do you have any role in the proposed acquisition of  
7 Aquila by Great Plains Energy?

8 A. No, I do not.

9 Q. Are you the member of -- are you a  
10 member of any merger integration team?

11 A. No, I am not.

12 Q. In your capacity as a person working at  
13 KCP&L, do you evaluate the creditworthiness of KCPL?

14 A. No, I do not.

15 MR. ZOBRIST: Nothing further, Judge.

16 JUDGE STEARLEY: All right. Thank you,  
17 Mr. Zobrist. Mr. Davis, I thank you for your  
18 testimony. You can step down at this time. However,  
19 I am not finally releasing you in case the Commission  
20 should have additional questions for you later. As  
21 far as today goes, though, you are free to leave for  
22 today. And we are up to Mr. Foster.

23 MR. DOTTHEIM: Yes, the Staff calls as  
24 its next witness Mr. Terry Foster.

25 (The witness was sworn.)

1 JUDGE STEARLEY: Thank you. You may be  
2 seated. Mr. Dottheim, you may proceed.

3 DIRECT EXAMINATION BY MR. DOTTHEIM:

4 Q. Mr. Foster, would you please state your  
5 name for the record?

6 A. Terry Foster.

7 Q. And would you please spell your name?

8 A. T-e-r-r-y, F-o-s-t-e-r.

9 Q. Mr. Foster, since you don't have any  
10 testimony filed, I would like to ask you to provide  
11 some background. If you could provide your  
12 educational background.

13 A. A graduate from Wichita State University  
14 in engineering technology in 1980. I have a master's  
15 certificate in project management from George  
16 Washington University, 2004. I have a project  
17 management professional certification from Project  
18 Management Institute, been a member since 1997 in  
19 good standing.

20 Q. And Mr. Foster, if you could identify  
21 what your present position is right now at --  
22 respecting Kansas City Power & Light/GPE.

23 A. I'm the director of project controls for  
24 Kansas City Power & Light. I am currently the  
25 project controls manager for the Iatan projects.

1           Q.       Could you provide a description of what  
2   a project controls director does, what that means?

3           A.       Yes.  In -- in this particular case --  
4   and it varies across the industry as far as the  
5   breadth of your responsibility.  In this particular  
6   case, I am responsible for the cost tracking,  
7   reporting and trending of the Iatan project.

8                    I'm also responsible for the scheduling,  
9   the development of the integrated schedule, the  
10  tracking of that schedule to weekly and biweekly  
11  updates and then the trending of that schedule.  I  
12  also am responsible for project reporting.

13          Q.       And that is for both the Iatan 2 and the  
14  Iatan 1 projects?

15          A.       That is correct.

16          Q.       And how long have you been the project  
17  controls director?

18          A.       I've been the project controls director  
19  since October of 2007.

20          Q.       Can you provide some further information  
21  on your employment history prior to being project  
22  controls director?

23          A.       Yes.  I was the project controls manager  
24  for the Iatan project prior to that working as a  
25  contractor for Arrow-Tech.

1           Q.       And what date did you commence that --  
2       that work for Arrow-Tech at Iatan?

3           A.       Around the 1st of September, 2006.

4           Q.       Okay. And prior to your commencement on  
5       that project, could you provide us some background as  
6       your employment history?

7           A.       Right. I have a little over 40 years  
8       working with the electric utility industry. Relevant  
9       experience in the last ten years, '97 to '99 worked  
10      for -- Fluor Daniel was the project director for a  
11      standalone project, a maintenance service agreement  
12      with Carolina Power & Light.

13                    After that, went to American Electric  
14      Power, worked for American Electric Power from '99 to  
15      2005. I was the director of project controls for all  
16      capital projects at American Electric Power.

17                    After that I went to Black & Veatch for  
18      about a year. I was the regional quality control  
19      manager, had responsibility for quality control  
20      processes and plans for projects and also for  
21      staffing inspectors and for those projects.

22           Q.       I assume as project control director  
23      that you worked with Mr. David Price when he was the  
24      project director for the Iatan 2 and the Iatan 1  
25      projects?

1           A.       I did.

2           Q.       Okay. And was he the Iatan 2/Iatan 1  
3 projects director commencing approximately May of  
4 2007?

5           A.       He was, as well as he was the  
6 construction VP for KCP&L.

7           Q.       Okay. Does the term "risk and  
8 opportunity table" have a meaning for you?

9           A.       Yes, it does.

10          Q.       Okay. Does that term have any direct  
11 relevance to you respecting the Iatan 2 and Iatan 1  
12 projects?

13          A.       Yes, it does.

14          Q.       Okay. Could you relate what that  
15 relevance is as far as what might be the earliest  
16 date for which it has relevance?

17          A.       Sometime April/May time frame, 2007, my  
18 cost engineering manager and I decided to start that  
19 R&O table because of things that had not hit our  
20 books. And by that I mean things that had not become  
21 a change notice or a change order that we heard were  
22 out on the fringes; we need to capture those things  
23 to make sure they weren't missed and either were  
24 eliminated or brought into the budget via the change  
25 notice, change order process.

1           Q.       And a risk and opportunity table would  
2   accomplish that?

3           A.       It would accomplish early identification  
4   of potential risk or opportunities to save money on  
5   the project.

6           Q.       Okay. And what was the -- and until  
7   that point, there had been not the establishment of  
8   the use of a risk and opportunity table?

9           A.       That's correct.

10          Q.       And what was the going-forward intention  
11   for the use of a risk and opportunity table?

12          A.       After David Price came on board, we  
13   formalized that and it was to be used going forward.

14                   MR. DOTTHEIM: Okay. At this time,  
15   Judge, I'd like to approach the witness and provide  
16   him a copy of what's previously been marked as  
17   Exhibit 132.

18                   JUDGE STEARLEY: You may approach,  
19   Mr. Dottheim.

20   BY MR. DOTTHEIM:

21          Q.       Mr. Foster, I've handed you a copy of  
22   what's been marked Exhibit 132. And, of course,  
23   would you please take a look at that? And I'll give  
24   you an opportunity to take a look at Exhibit 132.

25          A.       (Witness complied.) I've looked at it.



1           Q.       Okay. Mr. Foster, can you identify  
2 what's been marked as Exhibit 132?

3           A.       The second page -- the second page is  
4 "Iatan Unit 1 Estimated Risk as of January 1, 2008."

5           Q.       Well, I will represent to you that the  
6 first page, the cover page, is a cover page response  
7 received from GPE/KCPL which has on it the question  
8 from the Office of Public Counsel No. 1006, and the  
9 GPE/KCPL response and attachments, a number of -- a  
10 number of pages.

11                   And can you identify either the cover  
12 page or any of the pages that are attached to the  
13 cover page?

14           A.       Yes, I can. As I said, these are  
15 estimated risks associated with the project. This  
16 particular document -- and as I said in my  
17 deposition, this particular document with the pie  
18 charts was the information that I saw that went to  
19 Dave Price sometime around January the 18th of this  
20 year.

21           Q.       Okay. And Mr. Foster, can you identify  
22 who were the individuals who prepared the pages that  
23 are attached to the cover page? The first page is --  
24 has at the top "Iatan Unit 1 Estimated Risk as of  
25 January 1, 2008." And then there are subsequent

1 pages which at the bottom it's page 2 of 5 through  
2 page 5 of 5. And then there are after that four  
3 pages which have pie charts on them, are there not?

4 A. There are.

5 Q. Okay.

6 A. This information was collected and  
7 assembled as the cost reforecast effort took place  
8 through December and the first couple of weeks of  
9 January. I was absent from work during that period  
10 of time. I believe that effort was led by Dave  
11 Price.

12 Q. Mr. Foster, can -- can you identify  
13 approximately when -- when you saw this information  
14 first?

15 A. It would have been somewhere the week of  
16 the 14th of January, toward the end of that week.

17 Q. And you've indicated that -- that you  
18 were absent for a period of time?

19 A. That is correct.

20 Q. And as you've indicated previously, you  
21 were absent for a number of weeks because of health  
22 reasons, were you not?

23 A. That is true.

24 Q. Okay. When -- when you came back in  
25 January, was it, what was the -- do you recall the

1 first day you were back?

2 A. Yes, it was January 14th.

3 Q. And that's when you first saw this --

4 A. I did not. I seen this document later  
5 on that week when it was produced.

6 Q. Okay. Was it in this format that you  
7 first saw it?

8 A. I did not see the R&O table attached,  
9 but I seen this document and the pie charts as they  
10 exist here.

11 Q. And when you say the "R&O table," you  
12 mean pages 2 of 5 through page 5 of 5?

13 A. Yes.

14 Q. Did the -- if you know, did the  
15 information in the R&O table first start off being  
16 collected in April or so that I think you may have  
17 previously indicated was the beginning of the risk  
18 and opportunity table analysis that was commenced in  
19 2007?

20 A. Yes.

21 Q. Were you present or were you already on  
22 leave possibly when the analysis went from the risk  
23 and opportunity table analysis to the reforecast  
24 analysis?

25 A. The reforecast effort started December

1 the 5th, 2007. I was absent at that time, if that's  
2 the question.

3 Q. Yes. Yes, sir. Thank you. Do you know  
4 why the effort analysis changed from a risk and  
5 opportunity table analysis to a reforecast analysis?

6 A. I do.

7 Q. Okay. Could you provide what is your  
8 understanding as to why the -- the analysis changed?

9 A. As we looked at the trends on the R&O  
10 table, and if the trends on the change -- there were  
11 change orders that were taking place within our  
12 system. As we took a look at what was happening from  
13 a schedule perspective in a couple of areas, we  
14 realized that we were going to need to reforecast the  
15 project.

16 Q. And the trends you were seeing, was that  
17 relating to both Iatan 2 and to the Iatan 1 projects?

18 A. Yes.

19 Q. And the trends that you referred to,  
20 could you be more specific as to what those trends  
21 were?

22 A. As associated with unit 1, there were  
23 trends with the R&O table with the magnitude of  
24 change orders utilizing what contingency we had in  
25 addition -- in addition to some schedule performance

1 issues we were having with one of our contractors.

2 MR. DOTTHEIM: Judge, I think we're  
3 going to need to go in-camera.

4 JUDGE STEARLEY: Very well. Let's make  
5 sure the gallery is cleared.

6 (REPORTER'S NOTE: At this point, an  
7 in-camera session was held, which is contained in  
8 Volume 22, pages 2763 through 2764 of the  
9 transcript.)

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1 JUDGE STEARLEY: We are back in the  
2 public forum.

3 DIRECT EXAMINATION (CONTINUED) BY MR. DOTTHEIM:

4 Q. Mr. Foster, are you a member of the  
5 Iatan leadership team?

6 A. I am.

7 Q. As a member of the Iatan leadership  
8 team, would you attend the comprehensive energy  
9 program oversight committee meetings?

10 A. Yes.

11 Q. As a member of the Iatan leadership  
12 team, would you make presentations at the CEP  
13 oversight committee meetings?

14 A. Yes.

15 Q. Was there reporting by the Iatan  
16 leadership team of what was being found through the  
17 risk and opportunity table and the reforecasting  
18 process to the CEP oversight committee?

19 A. The -- yes, is the short answer.

20 Q. Yes. Was it of a general nature or was  
21 it in any detail?

22 A. Typically, the -- we would have a slide  
23 presentation and there would be bullets, we would  
24 talk to those.

25 Q. There wouldn't be any detailed

1 presentation of actual numbers; it would be just more  
2 of a overview?

3 A. Up to that point, yes. However, we  
4 would include numbers in our monthly report.

5 Q. As a member of the Iatan leadership  
6 team, would you attend meetings of the joint owner  
7 committee meetings?

8 A. Yes.

9 Q. Were there and are there separate joint  
10 owner committee meetings for Iatan 2 and Iatan 1?

11 A. The same day, separate meetings.

12 Q. At those meetings, does the Iatan  
13 leadership team make presentations respecting  
14 progress on the Iatan 2 and the Iatan 1 projects?

15 A. They do.

16 Q. Yes. And would part of those  
17 presentations be information relating to the risk and  
18 opportunity table and analysis and the reforecast  
19 process?

20 A. Yes.

21 Q. Would the materials or information  
22 presented to the joint owners committee meetings be  
23 of a similar nature to the information presented to  
24 the CEP oversight committee?

25 A. Yes, there is a hierarchy, and when we

1 present the information, it would go to CEPOC first  
2 before we would go to the joint owners with that  
3 information.

4 Q. Would you go with the same information  
5 to -- to all three groups?

6 A. Typically.

7 MR. DOTTHEIM: At this time I'd like to  
8 have Exhibit -- a document marked as an exhibit. Is  
9 it Exhibit 144?

10 JUDGE STEARLEY: I believe we're up to  
11 145 now.

12 MR. DOTTHEIM: 145.

13 (EXHIBIT NO. 145 WAS MARKED FOR  
14 IDENTIFICATION BY THE COURT REPORTER.)  
15 BY MR. DOTTHEIM:

16 Q. Mr. Foster, have you had an opportunity  
17 to review what's been marked as Exhibit 145?

18 A. I have.

19 Q. And what's been marked as Exhibit 145 is  
20 a cover page which is an e-mail from David Price  
21 dated January 20th, 2008, to a number of individuals  
22 including yourself, Terry Foster, "Subject:  
23 Reforecasting Meeting Leadership Team."

24 And then on that page there's another  
25 e-mail from Denise Schumaker to a number of



1 individuals including you, and there's an attachment.

2 Do you recognize the cover page to the e-mails?

3 A. I don't recognize it. I do see that I  
4 was cc'd. I probably read it at the time. More than  
5 likely did.

6 Q. Okay. And there's a multipage  
7 attachment, a document on the first page. It says,  
8 "Iatan Unit 1 and Unit 2 Cost Reforecast Update" that  
9 has an Iatan construction project logo, picture of  
10 what I assume is the plant site, date January 22,  
11 2008, and it's stamped "Highly confidential -  
12 proprietary." Do you recognize that document?

13 A. I'm sure it was a document that was used  
14 at the EOC meeting on the 22nd, or at least I believe  
15 it to be.

16 Q. Offhand, do you recall the document  
17 being used?

18 A. I do not.

19 Q. Okay. I'd like to just quickly take you  
20 through the document just so that -- there's some  
21 abbreviations. I thought maybe you might provide an  
22 explanation. If we go -- not all the pages are  
23 numbered. It's not the second page. It's the page  
24 after -- yeah, I think it's page 3, page 4, in the  
25 right-hand column, the two boxes, "Update R&O table."

1     Would that be risk and opportunity table?

2             A.       It would.

3             Q.       Okay. And then the next box, it says,

4     "Review updated R&O items with the PLT." What would

5     "PLT" stand for?

6             A.       Project leadership team.

7             Q.       And then on that same page on the

8     opposite side of the page, there's a box "Present

9     revised cost estimate to KCPL and JO management."

10    Would "JO" be joint owners management?

11            A.       Yes. Yes.

12            Q.       And I'd like to direct you to page 17,

13    and it says on page 17, "Cost reforecast schedule,"

14    does it not? I'm looking at the page number at the

15    bottom.

16            A.       Yes. Yes, it does.

17            Q.       Okay. At the bottom of the -- the

18    bottom right-hand corner 17, "Cost reforecast

19    schedule." And then on page 18 up at the top it

20    says, "Cost reforecasting activities and status"?

21            A.       Yes.

22            Q.       And at -- there's a kind of a matrix

23    on -- on that page, is there not?

24            A.       There is.

25            Q.       Okay. And there are line items for

1 activities. It shows a "Responsibility Completion  
2 Date" and "Present Complete," does it not?

3 A. It does.

4 Q. Okay. And the very last line, item 12  
5 for that line, it shows, does it not, presentation to  
6 Kansas and Missouri Commissions, it shows  
7 responsibility, regulatory and project team, has  
8 completion date, March 31. Did I read that  
9 accurately?

10 A. You did.

11 Q. Do you know whether that was supposed to  
12 be a presentation to where it says "Missouri  
13 Commissions," the Missouri Commission Staff?

14 A. I believe it was.

15 Q. Do you know whether that presentation  
16 occurred or not?

17 A. I know it did not.

18 Q. And then I'd like to direct you to  
19 page 19 which says, "Cost reforecast communication  
20 process," does it not?

21 A. Yes.

22 Q. The last page says at the top,  
23 "Presentations," and the last bullet point, "To  
24 Kansas and Missouri Commissions"?

25 A. That is correct.

1           Q.       And to your knowledge, there has been no  
2 presentation to the Missouri Commission Staff, has  
3 there?

4           A.       Not on this final reforecast.

5           Q.       Okay. Again, I'd like to direct you to  
6 the first page of Exhibit 145, the e-mail from David  
7 Price, where he states, "We will discuss the attached  
8 draft document at the meeting tomorrow morning.  
9 Please bring a copy to the meeting. Thanks. Dave."  
10 Do you recall that meeting?

11          A.       I believe the meeting took place. I  
12 don't recall any particulars of that meeting.

13          Q.       Okay. Mr. Foster, do -- do you recall  
14 whether Mr. Price ever discussed the results of the  
15 reforecasting process with Mr. Downey and  
16 Mr. Chesser?

17                   MR. ZOBRIST: Let me just object that  
18 that lacks foundation because the evidence has been  
19 that he left the company sometime in January/February  
20 and we just -- we haven't finished the final  
21 reforecast.

22                   JUDGE STEARLEY: Mr. Dottheim, would you  
23 like to ...

24                   MR. DOTTHEIM: I'll -- I'll -- I'll  
25 rephrase that.

1 JUDGE STEARLEY: Okay.

2 BY MR. DOTTHEIM:

3 Q. Mr. Foster, you've testified that you  
4 returned to the company, I believe it was in --  
5 January 14th of 2008?

6 A. I did.

7 Q. And I had directed you to Exhibit 132  
8 and asked you about the various pages in Exhibit 132,  
9 and I think you indicated to me that you saw on  
10 January 18 the information contained on pages 2 of 5  
11 to 5 of 5. Did I understand that correctly?

12 A. I don't believe so.

13 Q. Okay. Would you please -- would you  
14 please --

15 A. What I saw was the second page of what  
16 I've got in front of me.

17 Q. Okay.

18 A. And then after 2 of 5 through 5 of 5  
19 when the pie charts begin, that's -- that's what I  
20 saw.

21 Q. You -- you saw the second page and the  
22 pages after 5 of 5?

23 A. Yes.

24 Q. Okay. Sorry. I apologize. Thank you  
25 for correcting. Do you know whether Mr. Price

1 discussed with Mr. Downey and Mr. Chesser the second  
2 page that you just identified, second page to  
3 Exhibit 132?

4 A. I'm sure he did with both of them at one  
5 time, but I knew he did have a meeting set up with  
6 Bill Downey for January the 19th, morning of  
7 January 19th.

8 Q. Do you know whether he discussed with  
9 Mr. Downey and/or Mr. Chesser the pie charts that  
10 appear after page 5 of 5?

11 MR. ZOBRIST: Judge, I'm going to  
12 object. I don't know what this is driving at because  
13 Mr. Chesser has testified, Mr. Downey has testified,  
14 and unless I'm missing something, whether Mr. Foster  
15 knows whether Mr. Price talked with those other two  
16 gentlemen, I don't think that gets us back to the  
17 issues that we're supposed to be discussing here.

18 JUDGE STEARLEY: Mr. Dottheim, your  
19 response?

20 MR. DOTTHEIM: Well, yes, I think it --  
21 it goes to creditworthiness, and the company has made  
22 various presentations which we've made -- which we've  
23 marked as -- as exhibits to the investment community  
24 regarding the reforecast effort that is being made  
25 regarding what its status was. And -- and as a

1 consequence, I think it's relevant.

2                   And again, I think it's -- it's -- it's  
3 relevant to the question of the ability of the  
4 company to -- to manage the comprehensive energy plan  
5 successfully and undertake the merger at the same  
6 time which, again, goes to -- goes to -- ultimately  
7 to creditworthiness.

8                   MR. ZOBRIST: Judge, that all may be  
9 true, but that's not what this last question was  
10 driving at in our view.

11                  JUDGE STEARLEY: My understanding of the  
12 last question, you were asking Mr. Foster if he knew  
13 if other persons had seen these documents or if they  
14 were presented to them. Am I ...

15                  MR. DOTTHEIM: That is -- that is --  
16 that is correct.

17                  JUDGE STEARLEY: Okay. And how does  
18 that tie in exactly?

19                  MR. DOTTHEIM: And that ties in -- for  
20 example, Mr. Chesser and Mr. Downey both -- or  
21 Mr. Downey in particular was involved in the April 10  
22 presentation to the investment community. I'm just  
23 trying to determine the level of knowledge of the --  
24 of management at KCPL as far as the -- the status as  
25 to how complete at what -- at what time of the

1 reforecast process and when that information  
2 ultimately becomes a problem.

3 JUDGE STEARLEY: Didn't you have an  
4 opportunity to question Mr. Chesser and Downey  
5 themselves regarding this?

6 MR. DOTTHEIM: And I think I -- I think  
7 I did.

8 JUDGE STEARLEY: I believe so. So at  
9 this point, I'm going to say that's cumulative and I  
10 don't see the relevance of it. I'm going to sustain  
11 the objection.

12 MR. DOTTHEIM: One moment, please.

13 JUDGE STEARLEY: Certainly.

14 BY MR. DOTTHEIM:

15 Q. Mr. Foster, has in any manner the  
16 reforecast analysis been compared to the results of  
17 the risk and opportunity table?

18 A. Not during the analysis.

19 Q. Could you explain your answer of "not  
20 during the analysis"?

21 A. I don't -- yes, I can. Each risk was  
22 assessed on its own merit. When we finally totaled  
23 the numbers, which was late last Thursday, there  
24 might have been some comparison between these numbers  
25 amongst our folks, the ones that were aware of these.



1           Q.       Is there -- is there any plan to compare  
2     the -- the reforecast results against the risk and  
3     opportunity table analysis?

4           A.       Could you restate your question? I  
5     didn't understand it.

6           Q.       Is -- is there any plan to attempt to  
7     reconcile the result shown on the second page to  
8     Exhibit 132 to the results of the reforecast  
9     analysis?

10          A.       No.

11          Q.       Is there a reason or reasons for that?

12          A.       It's just not in our plans right now.

13          Q.       Might that be in your plans or in the  
14     GPE/KCPL plans at a future time?

15          A.       Not to my knowledge.

16          Q.       Do you know whether that has ever been  
17     considered?

18          A.       I do not.

19          Q.       Mr. Foster, do you know, is there a plan  
20     to do any additional reforecast of Iatan 2 project?

21          A.       There's talk of doing a reforecast, yes.

22          Q.       Is there any talk as to when that  
23     decision might be made?

24          A.       Yes. I've heard a couple of  
25     suggestions, one at 90 percent engineering. My -- my

1 input on that topic would be to do one after the  
2 unit 1 outage is complete and look at unit 2.

3 Q. Is there any present set time when that  
4 decision will ultimately be made as to whether  
5 another reforecast will be conducted of Iatan 2?

6 A. No.

7 Q. I assume because of the state of  
8 completion of -- of Iatan 1, there is no intention to  
9 do a reforecast of Iatan 1?

10 A. That is correct.

11 Q. And when I say a "reforecast," a further  
12 reforecast of Iatan 1.

13 A. Understood.

14 MR. DOTTHEIM: One moment, please.

15 BY MR. DOTTHEIM:

16 Q. Mr. Foster, when Iatan 2 is completed  
17 and in service, is it your expectation that the cost  
18 for Iatan 2 will be the same, greater or less than  
19 what is presently shown as a result of the reforecast  
20 project?

21 MR. ZOBRIST: Judge, as with Mr. Easley  
22 and Mr. Davis, we should go into a brief HC session  
23 to receive these responses.

24 JUDGE STEARLEY: Wait a moment for the  
25 gallery to clear here again.

1                   (REPORTER'S NOTE: At this point, an  
2 in-camera session was held, which is contained in  
3 Volume 22, page 2779 of the transcript.)

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1 JUDGE STEARLEY: We are back in public  
2 forum.

3 MR. DOTTHEIM: Give me one moment,  
4 please.

5 DIRECT EXAMINATION (CONTINUED) BY MR. DOTTHEIM:

6 Q. Mr. Foster, has there been any material  
7 changes in the procedures for the handling of  
8 treatment of change notices as to the determination  
9 as to whether they will be accepted or rejected?

10 A. I'm not sure that I understand what you  
11 mean by "materially."

12 Q. Okay.

13 MR. ZOBRIST: May I just say for  
14 clarification, Counsel, is this at the Iatan project?

15 MR. DOTTHEIM: Yes. And by -- and by  
16 "materially," I mean substantively. I don't mean as  
17 far as just as in processing forms or something of --  
18 of that nature. Some substantive change in approach  
19 or concept as to whether a change notice would be  
20 accepted or rejected.

21 MR. ZOBRIST: Judge, I hate to object  
22 because I know we're near the end, but I'm not sure  
23 that change notices is really within the purview of  
24 this witness or I don't understand how it actually  
25 relates to the relationship of the project of the

1 acquisition or creditworthiness. It sounds like a  
2 technical issue that we could take up in another  
3 docket.

4 MR. DOTTHEIM: Well -- and I meant to  
5 say change order. But again, it -- it goes to the --

6 JUDGE STEARLEY: Well, Mr. Dottheim,  
7 just for a moment here, why don't you rephrase first  
8 if there was a correction in your -- in your  
9 question, and then we can take this up again.

10 BY MR. DOTTHEIM:

11 Q. All right. Mr. Foster, has there been  
12 any difference in approach adopted in how change  
13 orders are either accepted or rejected for the  
14 Iatan 2 or Iatan 1 projects? And I mean from a  
15 substantive approach as opposed to just processing  
16 change orders.

17 A. Not to my knowledge.

18 MR. DOTTHEIM: Thank you for your  
19 patience, Mr. Foster.

20 JUDGE STEARLEY: Is that the last of  
21 your questions, Mr. Dottheim?

22 MR. DOTTHEIM: Yes.

23 JUDGE STEARLEY: All right. Thank you  
24 very much. Examination by Public Counsel, Mr. Mills.

25 MR. MILLS: Yes, thank you.

1 CROSS-EXAMINATION BY MR. MILLS:

2 Q. Mr. Foster, do you still have  
3 Exhibit 132 with you? It's this one.

4 A. I do.

5 Q. Okay. And -- and referring in  
6 particular to the risk and opportunity table -- or  
7 tables because there's two separate ones, one for  
8 each unit, is that an ongoing document?

9 A. It is.

10 Q. And do you know, on Exhibit 132, the  
11 approximate date that -- that this is a snapshot of?

12 A. It would have been as the date it was  
13 produced. I'm assuming sometime mid January.

14 Q. Okay. And has a -- an updated -- well,  
15 let me -- let me ask it this way. How often is this  
16 report updated?

17 A. The table is updated as risk and  
18 opportunity items are identified. The report would  
19 be depending on when it was needed, it would be  
20 produced.

21 Q. So has -- has this table been -- has the  
22 table been updated since mid January?

23 A. Since -- that would be yes.

24 Q. Okay. Has a new report been produced  
25 since mid January?

1           A.       Not to my knowledge.

2           Q.       Now, I believe you testified that you  
3   were at the -- the EOC meeting that -- was it last  
4   Friday?

5           A.       Yes.

6           Q.       Okay. And was there a document similar  
7   to the risk and opportunity table presented there to  
8   underlie the numbers that were presented to the EOC?

9           A.       There was not.

10          Q.       Have you seen such a document?

11          A.       I have not seen a complete table.

12          Q.       Have you -- what parts have you seen?

13          A.       I've seen the rollup of the tables that  
14   provide the sum of the dollars associated with that  
15   table.

16          Q.       Okay. And let me refer you to page --  
17   well, the second page of Exhibit 132, this page.

18          A.       All right.

19          Q.       Are you referring to something similar  
20   to that when you say "rollup"?

21          A.       Yes.

22          Q.       Okay. Now, on the risk and opportunity  
23   table -- and if it's different from mid January to  
24   what it is now, please let me know -- but did or does  
25   the risk and opportunity table have another column

1     that reflects a percent probability of hitting any of  
2     the amounts shown on it?

3           A.     Yes.

4           Q.     Okay.  And --

5           A.     Let me clarify.

6           Q.     Okay.

7           A.     Percent probability of occurrence.

8           Q.     Right.  And is that a new addition since  
9     mid January?

10          A.     I don't believe so.

11          Q.     Okay.  But it -- that kind of percentage  
12     is not shown on Exhibit 132, is it?

13          A.     It is not.

14          Q.     Is that -- were percentages not  
15     calculated or determined or presented at that time or  
16     were they just not shown on this particular report?

17          A.     The use of the likelihood of -- of  
18     occurrence was not considered in calculating the  
19     dollars at that time.

20          Q.     So that was a later addition?

21          A.     Yes.

22          Q.     And would it be possible to produce a  
23     risk and opportunity table along with the percentage  
24     probability -- the -- is it appropriate to call it  
25     percentage of probability?



1           A.       It's actually likelihood, it's not a  
2     probability.

3           Q.       The likelihood.  Would it be possible to  
4     produce a risk and opportunity table that corresponds  
5     with the numbers presented to the EOC on Friday?

6           A.       Yes.

7                   MR. MILLS:  Judge, I'd like to reserve a  
8     late-filed exhibit number.  Well, let me ask the  
9     witness a question before I do that.

10                   JUDGE STEARLEY:  Okay.

11     BY MR. MILLS:

12           Q.       How quickly could that be produced?

13           A.       I believe fairly quickly.

14                   MR. MILLS:  I'd like to go ahead and  
15     reserve an exhibit for that, and we may -- we may be  
16     able to get to that before the hearing concludes or  
17     it may have to be late-filed, but ...

18                   JUDGE STEARLEY:  Just backtracking to  
19     your numbers here, please.  And I believe we'd be at  
20     209 with you.

21                   MR. MILLS:  I believe that's correct.  
22     And I would refer to that as something like updated  
23     risk and opportunity table.

24                   (EXHIBIT NO. 209 WAS RESERVED TO BE  
25     MARKED FOR IDENTIFICATION AS A LATE-FILED EXHIBIT.)

1 JUDGE STEARLEY: Okay. It shall be  
2 reserved, and if it's produced as a late-filed  
3 exhibit, there will be opportunities to do responses.

4 BY MR. MILLS:

5 Q. And as the risk and opportunity table  
6 is -- is updated, do the -- do the numbers show an  
7 announced change from time to time?

8 A. Yes.

9 Q. Okay. Do the actual items on the table  
10 change from time to time?

11 A. They could.

12 Q. And do you have -- do you have a general  
13 knowledge of the -- some of the significant changes  
14 from the risk and opportunity table presented in  
15 Exhibit 132 to the risk and opportunity table that  
16 would underlie the numbers presented last Friday?

17 A. I do. I don't -- generally I could tell  
18 you some of the changes but not specifically to any  
19 line item.

20 Q. Okay. And would a -- would a general  
21 description of that be highly confidential?

22 A. It would.

23 MR. MILLS: Judge, can we go in-camera,  
24 please?

25 JUDGE STEARLEY: Giving our gallery some

1 exercise today.

2 (REPORTER'S NOTE: At this point, an  
3 in-camera session was held, which is contained in  
4 Volume 22, pages 2788 through 2796 of the  
5 transcript.)

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1 JUDGE STEARLEY: We are back in public  
2 forum. And examination, AgProcessing.

3 MR. WOODSMALL: Thank you, your Honor.

4 CROSS-EXAMINATION BY MR. WOODSMALL:

5 Q. Good afternoon, sir.

6 A. Good afternoon.

7 Q. We've -- we've heard some testimony  
8 today about a potential additional reforecast for the  
9 Iatan plant. Are you familiar with that?

10 A. Yes.

11 Q. And at various times we've heard  
12 discussion of that occurring at a 90 percent  
13 engineering threshold. Do you recall that?

14 A. I recall that conversation.

15 Q. Okay. And you said it was your opinion  
16 that that would occur potentially after the unit 1  
17 outage later this year; is that correct?

18 A. That would be my input as far as a  
19 recommendation when it should occur.

20 Q. Okay. And just to be clear, is it your  
21 understanding that only one reforecast -- additional  
22 reforecast will occur on the Iatan unit 2 plan?

23 A. It is my understanding that a reforecast  
24 would occur. I'll make a recommend -- I will make a  
25 recommendation that it occur after the unit 1 outage.

1 After that, a reforecast may occur based on trends  
2 because we are watching the trends for both cost and  
3 schedule.

4 Q. Okay. So --

5 THE COURT REPORTER: I'm sorry. For  
6 both what, sir?

7 THE WITNESS: Cost and schedule.

8 THE COURT REPORTER: Oh, thank you.

9 BY MR. WOODSMALL:

10 Q. As far as a reforecast that may occur at  
11 the 90 percent engineering threshold, do you have any  
12 estimate of approximately what time that would be?

13 A. I believe that would be before the  
14 unit 1 outage sometime.

15 Q. So in terms of the two options, the 90  
16 percent threshold reforecast would occur prior to a  
17 reforecast based upon the completion of the unit 1  
18 outage?

19 A. That would be my estimate at this time.

20 Q. Okay. And have you heard any other  
21 reforecast based upon any other potential standards?

22 A. I have not.

23 MR. WOODSMALL: Okay. I have no further  
24 questions. Thank you.

25 JUDGE STEARLEY: Okay. Thank you,

1 Mr. Woodsmall. Examination, Black Hills.

2 MR. DeFORD: No questions.

3 JUDGE STEARLEY: Aquila.

4 MS. PARSONS: No questions.

5 JUDGE STEARLEY: Questions from the

6 Bench. Commissioner Murray.

7 COMMISSIONER MURRAY: No questions.

8 Thank you.

9 JUDGE STEARLEY: Additional examination

10 by GPE?

11 MR. ZOBRIST: Just a couple questions,

12 Judge.

13 CROSS-EXAMINATION BY MR. ZOBRIST:

14 Q. Mr. Foster, do you have any role in the

15 proposed merger of Aquila -- acquisition of Aquila by

16 Great Plains Energy?

17 A. I do not.

18 Q. Are you a member of any merger

19 integration team?

20 A. I am not.

21 Q. In your capacity as the project controls

22 director -- do I have that correct?

23 A. You have it correct.

24 Q. Do you play any role in the -- the

25 merger or the merger integration efforts, the

1 planning for the proposed merger?

2 A. No.

3 Q. Okay. And do you play any role in an  
4 evaluation of the credit quality -- or  
5 creditworthiness of KCPL?

6 A. I do not.

7 MR. ZOBRIST: Nothing further, Judge.

8 JUDGE STEARLEY: Thank you, Mr. Zobrist.

9 And Mr. Foster, thank you for your testimony. You  
10 may step down at this time. However, I will not  
11 finally excuse you in case the Commission should have  
12 additional questions for you. You are certainly  
13 free, though, as far as today goes to go about your  
14 schedule.

15 MR. DOTTHEIM: Judge?

16 JUDGE STEARLEY: Yes.

17 MR. DOTTHEIM: I think there are a  
18 number of exhibits that I have not offered to move  
19 into evidence.

20 JUDGE STEARLEY: That is true,  
21 Mr. Dottheim. Would you like to offer those at this  
22 time?

23 MR. DOTTHEIM: Yes, I would.

24 JUDGE STEARLEY: And do any of these  
25 need to be classified as highly confidential?

1                   MR. ZOBRIST: Judge, on Exhibit 145, the  
2 first page does not, and I suspect that with regard  
3 to the January 22 cost reforecast update, that a  
4 number of pages can be declassified. If I could have  
5 a moment later today, I'm sure I could advise  
6 Mr. Dottheim of that, if not by the close of  
7 business, by tomorrow morning.

8                   Exhibit 144 is labeled confidential  
9 because it contains specific days concerning a  
10 possible outage that should be highly confidential.  
11 And again, I'll need to consult with the company.  
12 Exhibit 143, I think there may be some detailed  
13 figures that were not addressed in open session that  
14 we may need to redact.

15                  JUDGE STEARLEY: Okay. Mr. Dottheim, do  
16 you want to wait on your offering until that's  
17 cleared up, or do you want to offer them with that  
18 subject to those -- that classification, subject to  
19 being declassified later?

20                  MR. DOTTHEIM: I'd like to offer them  
21 subject to that classification.

22                  JUDGE STEARLEY: All right. Very well.  
23 Are there any objections to the admission of Exhibits  
24 No. 143, 144 or 145?

25                  MR. ZOBRIST: No objection.



1 JUDGE STEARLEY: Okay. At this time  
2 they will remain highly confidential.

3 We've been running a little under -- a  
4 little under two hours now, but before we start  
5 another witness testimony, why don't we take about a  
6 ten-minute break.

7 MR. MILLS: Judge, before you do, did  
8 you receive 143, 144 and 145?

9 JUDGE STEARLEY: Yes.

10 MR. MILLS: Okay. Thank you.

11 JUDGE STEARLEY: Yes, they are received  
12 and admitted.

13 (EXHIBIT NOS. 143 HC, 144 HC AND 145 HC  
14 WERE RECEIVED INTO EVIDENCE AND MADE A PART OF THE  
15 RECORD.)

16 MR. WOODSMALL: Your Honor, can you give  
17 us some guidance as to where we're going from here as  
18 far as witnesses?

19 JUDGE STEARLEY: Well, let's see. At  
20 this point we have Rose, Sherman, Schallenberg is the  
21 next three. If at all possible, I'd like to at least  
22 complete those three today.

23 MR. WOODSMALL: Okay.

24 JUDGE STEARLEY: You know, once again,  
25 we'll see how time maps out here. I'm certainly

1 willing to go longer if we go -- it just depends how  
2 quick we get through these witnesses with their  
3 examinations.

4 MR. WOODSMALL: Okay. And the only  
5 reason I ask, we still have the offer of proof. I  
6 don't notice Mr. Cline being here, so I -- okay.

7 MR. ZOBRIST: Be here tomorrow.

8 MR. WOODSMALL: I'm done. Okay.  
9 Tomorrow?

10 MR. ZOBRIST: Well, if necessary.

11 JUDGE STEARLEY: I figure we would get  
12 to the offer of proof tomorrow.

13 MR. WOODSMALL: Great, all the better.

14 JUDGE STEARLEY: And the more of the  
15 other witnesses we get through on creditworthiness --  
16 and I'm not sure if we'll make it to Mr. Zabors today  
17 or not, but the more that we can finish with today,  
18 would be good.

19 MR. WOODSMALL: Thank you.

20 JUDGE STEARLEY: We are off the record.  
21 Be back in about ten minutes.

22 (A RECESS WAS TAKEN.)

23 JUDGE STEARLEY: We are back on the  
24 record.

25 MR. WOODSMALL: Before we start another

1 witness, I talked to Mr. Dottheim and Mr. Mills and  
2 Mr. Zobrist during the break, and in addition to  
3 the reserved exhibit that Mr. Mills made, I'd like  
4 to reserve an exhibit for the receipt of whatever  
5 SEC filing the company may make. I assume it will be  
6 an 8K in which they reveal to the street the final  
7 reforecast number.

8 JUDGE STEARLEY: Okay. That would be  
9 Exhibit No. 305.

10 (EXHIBIT NO. 305 WAS RESERVED TO BE  
11 MARKED FOR IDENTIFICATION AS A LATE-FILED EXHIBIT.)

12 MR. WOODSMALL: Thank you.

13 JUDGE STEARLEY: And that will be the  
14 new SEC filing.

15 MR. WOODSMALL: The SEC filing. Like I  
16 say, I think it will be an 8K in which they reveal  
17 the reforecast to Wall Street.

18 MR. ZOBRIST: And Main Street.

19 JUDGE STEARLEY: Very well. And as I  
20 told Mr. Mills, at the time that is filed, I will  
21 allow a response time.

22 MR. WOODSMALL: Thank you.

23 JUDGE STEARLEY: All right, then. Are  
24 there any other matters we need to take up before we  
25 proceed?

1                   MR. WILLIAMS: Judge, I've distributed  
2 what's been marked for identification as Exhibit 146  
3 which is a memorandum from James Rose and Josh Thomas  
4 dated February 15th, 2008, that is an HC document.

5                   JUDGE STEARLEY: All right. And are you  
6 ready to then proceed, or are you going to offer this  
7 ahead of time?

8                   MR. WILLIAMS: No. I'm going to go  
9 ahead and call the witness first.

10                  JUDGE STEARLEY: Okay. Why don't you go  
11 ahead and call Mr. Rose to the stand.

12                  MR. WILLIAMS: Staff calls James Rose.

13                  JUDGE STEARLEY: And Mr. Rose, if you'd  
14 please raise your right hand.

15                  (The witness was sworn.)

16                  JUDGE STEARLEY: You may be seated. And  
17 you may proceed, Mr. Williams.

18 DIRECT EXAMINATION BY MR. WILLIAMS:

19                  Q.       What is your name?

20                  A.       James Rose.

21                  Q.       And how do you spell your name?

22                  A.       J-a-m-e-s, R-o-s-e.

23                  Q.       And currently who employs you?

24                  A.       Aquila.

25                  Q.       And in what position are you employed at

1     Aquila?

2             A.       I'm a senior manager in the risk  
3     assessment audit services department.

4             Q.       How long is it that you've worked for  
5     Aquila?

6             A.       About eight years now.

7             Q.       And could you give a brief rundown of  
8     your prior work experience before you went to work  
9     for Aquila?

10            A.       Sure.  The -- I worked for about ten, 11  
11    years with United Cities Gas Company in various  
12    positions.  I've worked in the regulatory group,  
13    worked in internal audit and then worked in  
14    operations.

15                    Then I had -- right after that, I spent  
16    two years with Applebee's in their internal audit  
17    group, and then came to Aquila after that and started  
18    out as a senior auditor and have progressed up to my  
19    current position.

20            Q.       Do you have a bachelors of science in  
21    accounting?

22            A.       Yes.

23            Q.       Are you a certified public accountant?

24            A.       Yes.

25            Q.       Do you have any education, training or

1 experience specifically with utility construction  
2 projects?

3 A. Yes. I mean, through the years I've  
4 done a number of construction audits, not at the  
5 magnitude of Iatan, but just across the board with  
6 just the operations. I've also been to a number of  
7 just training seminars through the Institute of  
8 Internal Auditors and other organizations just  
9 through the years.

10 Q. In your capacity -- in your current  
11 position in Aquila, do you supervise any employees?

12 A. Two.

13 Q. And what's the nature of the work they  
14 perform?

15 A. They're both staff auditors, and we  
16 provide a wide array of services, various audit -- or  
17 audits, risk assessments, consulting engagements,  
18 just across the company.

19 Q. Are you familiar with a firm called  
20 Standard & Poor's?

21 A. Yes.

22 Q. What do you know about that firm?

23 A. Just that they're a credit rating  
24 agency.

25 Q. And what kind of credit do they rate?

1           A.       For corporations, corporate credit.

2           Q.       Are you familiar with a firm called  
3 Moody's?

4           A.       Yes.

5           Q.       And what do you know about that firm?

6           A.       The same. They are a credit rating  
7 agency.

8           Q.       Are you familiar with the construction  
9 activity at Iatan 1 and 2?

10          A.       Some, yes.

11          Q.       And what is it that you know about the  
12 construction activity at Iatan 1 and Iatan 2?

13          A.       Well, we -- as far as the construction,  
14 we've been involved in some -- some audit work with  
15 invoicing, procurement. I've attended just all -- or  
16 just about all the joint owners meetings that they've  
17 had since I think probably April of 2007. I may have  
18 missed one during that time period.

19                   And through that we've just gained  
20 knowledge of just the general activities that are  
21 going on within the projects.

22          Q.       Why have you attended the joint owners  
23 meetings regarding Iatan?

24          A.       Our group, one of the major  
25 responsibilities is to identify risk to Aquila and

1 determine what we are doing to, you know, identify  
2 the risk, identify what the impact is and determine  
3 what we're doing to mitigate those risks.

4                   And with the joint owners meeting, that  
5 was primarily the purpose of going to those, is to  
6 get engaged with what's going on with the projects so  
7 that with the other work that we were doing and with  
8 some of the things we were doing with the -- KCP&L's  
9 internal audit department and Ernst & Young, we would  
10 be able to evaluate those risks and report back to  
11 our management.

12           Q.       Would those risks include cost controls?

13           A.       Yes.

14           Q.       And what is it that you know about the  
15 cost controls of the construction at Iatan 1 and  
16 Iatan 2?

17           A.       In these -- well, from the -- from the  
18 work that we've done in reviewing some of the  
19 invoicing, we've got quite a bit of concerns with the  
20 processes they go through, along with some of the  
21 information that we've gained from discussions with  
22 Ernst & Young and the work that they've done, and  
23 just, you know, the results of some of our invoicing.

24           Q.       What's the nature of those concerns?

25                   MS. PARSONS: I'm going to object --



1 MR. ZOBRIST: Object -- go ahead.

2 MS. PARSON: I'm going to object in that  
3 that question goes to -- more to prudence and not the  
4 issues that we're here today to discuss regarding the  
5 interconnection between the Iatan projects and the  
6 KCP&L/Great Plains' creditworthiness.

7 JUDGE STEARLEY: Mr. Williams?

8 MR. WILLIAMS: Judge, what happens on  
9 this project has an impact on the creditworthiness of  
10 the company and how project costs are being  
11 controlled and what debt's being run up, so it's  
12 relevant for that reason.

13 JUDGE STEARLEY: Do you have some more,  
14 Ms. Parsons?

15 MS. PARSONS: Well, just one other  
16 comment. I don't -- I don't see how the invoicing  
17 that Aquila's reviewing has anything to do with Great  
18 Plains' creditworthiness.

19 MR. WILLIAMS: And I haven't asked him  
20 about invoicing. I'm asking him about what their  
21 concerns are with the cost controls.

22 JUDGE STEARLEY: Okay. Would you mind  
23 repeating the question for me so I can re-evaluate  
24 this?

25 MR. WILLIAMS: Probably be easier to

1 have the court reporter read it than I ...

2 JUDGE STEARLEY: If you will read it  
3 back for me, Pam.

4 (THE COURT REPORTER READ BACK THE  
5 PREVIOUS QUESTION.)

6 MS. PARSONS: And the concerns I think  
7 that Mr. Rose referred to were the invoicing concerns.

8 JUDGE STEARLEY: And Mr. Zobrist, you  
9 had started to say something earlier. Did you have --

10 MR. ZOBRIST: No, I concur with  
11 Ms. Parsons. The response by the witness dealt with,  
12 according to my notes, invoices sent to Aquila, and  
13 I -- had the same objection I was going to make.

14 JUDGE STEARLEY: Any further response,  
15 Mr. Williams?

16 MR. WILLIAMS: Well, in response to an  
17 earlier question about what he knew about cost  
18 controls, he said that there were -- they had  
19 concerns with them. And I asked what the nature of  
20 those concerns -- what were those concerns, and that  
21 was the purpose of that abbreviated question.

22 JUDGE STEARLEY: Okay. I'm going to  
23 overrule. You can answer the question to the extent  
24 that you can.

25 THE WITNESS: Okay.

1 JUDGE STEARLEY: If you don't know the  
2 answer, you can say "I don't know."

3 THE WITNESS: Okay. Specifically,  
4 through the review that we've done on the invoicing,  
5 we've noticed that the -- some of the charges that  
6 are coming through, it's obvious that nobody was  
7 reviewing those invoices or there was very little  
8 review of the invoices being done.

9 And that is -- pretty much lines up with  
10 what we've seen in the Ernst & Young reports, that  
11 they did not have a process really set up to review  
12 new invoices. And through that -- I mean, that's --  
13 you know, turns -- you know, turns -- ties into your  
14 costs and your controls there.

15 MR. WILLIAMS: May I approach?

16 JUDGE STEARLEY: You may.

17 (EXHIBIT NO. 146 HC WAS MARKED FOR  
18 IDENTIFICATION BY THE COURT REPORTER.)

19 BY MR. WILLIAMS:

20 Q. I'm going to hand you a copy of what's  
21 been marked for identification as Exhibit 146.

22 A. Okay.

23 Q. Would you take a moment and review that  
24 document?

25 A. (Witness complied.)

1 MR. ZOBRIST: Is that 132?

2 MR. WILLIAMS: 146.

3 MR. ZOBRIST: I'm sorry.

4 THE WITNESS: Okay.

5 BY MR. WILLIAMS:

6 Q. The document indicates that it was from  
7 a James Rose and Josh Thomas. Are you the James Rose  
8 identified in the document?

9 A. Yes.

10 Q. And I want to caution you that portions  
11 of this document are still highly confidential, so --

12 A. Okay.

13 Q. -- keep that in mind.

14 JUDGE STEARLEY: And if we need to go  
15 in-camera, please let me know.

16 MR. WILLIAMS: I'm going to try to avoid  
17 that, but we'll see.

18 BY MR. WILLIAMS:

19 Q. What is Exhibit 146 in general terms?

20 A. This is the memo that Josh and I wrote  
21 after the February 14th joint owners meeting that was  
22 used to communicate to our -- to Rick Green, our CEO,  
23 and eventually, I think, ended up in the -- our audit  
24 committee book reporting to the audit committee.

25 So it pretty much summarizes issues that

1 we picked up during that meeting that we thought that  
2 Rick and the audit committee would be interested in.

3 Q. Was this a memorandum that was  
4 distributed to the audit committee and -- or Mr. Rick  
5 Green, I guess?

6 A. I know it was given to Rick and it was  
7 put into the audit committee books, so yes, it would  
8 have had to have been distributed to them.

9 Q. Would anyone else have had access to the  
10 document?

11 A. Just those in our audit group.

12 Q. And you did attend the February 14th,  
13 2008 meeting that's referenced in that document?

14 A. Yes.

15 Q. Who is it that attends the joint owners  
16 meetings?

17 A. It's representatives from all the joint  
18 owners which is Aquila, Empire, KEPCO, MJMEUC and  
19 then KCP&L representatives. There's usually a core  
20 group of people that are pretty consistent, and then  
21 there's other people that are in and out. They don't  
22 attend all the meetings. It just depends on what's  
23 the -- what's on the agenda.

24 Q. And what is it that these joint owners  
25 jointly own?

1           A.       It would be Iatan 1 and Iatan 2.

2           Q.       And were you representing Aquila at the  
3 meeting or was someone else?

4           A.       No. I was not representing Aquila as  
5 the joint owner. Max Sherman is the joint owner  
6 representative for Aquila.

7           Q.       And what was your role at the meeting?

8           A.       Again, I sit in and -- and basically  
9 listen in on the meetings and gather information that  
10 we can use as far as our -- our risk assessment for  
11 the company.

12                   And the -- and a big piece of it is,  
13 it's someone independent of the -- of Max's group  
14 that's in those meetings so that we can evaluate the  
15 risk.

16           Q.       Is this one of the joint owners meetings  
17 that you said had begun back in probably April of  
18 2007?

19           A.       Yes.

20           Q.       Now, you've had an opportunity to review  
21 Exhibit -- what's been marked as Exhibit 146, have  
22 you not?

23           A.       Yes.

24           Q.       And is it still your current  
25 understanding of what took place at that meeting

1 in -- February 14th of 2008?

2 A. Yes.

3 Q. And does the memorandum accurately  
4 reflect what did occur at that meeting on  
5 February 14th, 2008?

6 A. Yes.

7 Q. Who is Dave Price?

8 A. Dave Price was the -- he's vice  
9 president for KCP&L over their CPE construction  
10 program -- or CEP, I guess is what it is.

11 Q. And what role did he play with regard to  
12 the construction at Iatan?

13 A. He was also over the construction of the  
14 Iatan project.

15 Q. Was his departure a significant change  
16 for the construction of Iatan?

17 A. Yes.

18 Q. Why?

19 MR. ZOBRIST: Judge, I'm going to object  
20 to this. I think it gets, again, into the details of  
21 the relationship of the project and the personnel  
22 changes and things like that that have already been  
23 generally described. And it, again, is not getting  
24 to the essence that we're talking about which is the  
25 effect of the projects on the acquisition of Aquila

1 or the creditworthiness of KCPL.

2 JUDGE STEARLEY: Mr. Williams?

3 MR. WILLIAMS: If you'll bear with me, I  
4 think I can tie it up to how it does bear on the  
5 relationship to the creditworthiness.

6 JUDGE STEARLEY: I will allow the  
7 question and I hope you'll tie that up quickly.

8 MR. WILLIAMS: I intend to, or try to.

9 THE WITNESS: And the question one more  
10 time?

11 BY MR. WILLIAMS:

12 Q. Was Dave Price's departure a significant  
13 change for the construction at Iatan?

14 A. Yes.

15 Q. Why?

16 A. And the reasons being is that Dave  
17 brought a lot of leadership to the project and the --  
18 there had been a lot of change in the -- in the  
19 project leadership during the initial period of -- of  
20 construction. I think he was probably the third or  
21 fourth. And he brought in, I think, like 30 years of  
22 experience in construction -- construction plants,  
23 and the project team appeared to have a lot of  
24 confidence in his leadership.

25 There was a lot more -- as far as in the



1 joint owners meetings, a lot more information was  
2 being provided to the joint owners. There was a lot  
3 more -- it was just a freer flow of information at  
4 that point in time, you know, after he got there.

5 The project team -- and that was one of  
6 the things that in the Ernst & Young reports, one of  
7 the audits that they did, they recognized how  
8 important that Dave was to that project. And one of  
9 the key risks to the project was that they -- they  
10 had nobody to replace him.

11 Q. And is project management important for  
12 creditworthiness?

13 A. I don't know the answer to that.

14 Q. Well, does project management affect  
15 risk?

16 A. Yes.

17 Q. And does risk affect creditworthiness?

18 A. Yes.

19 Q. Was Dave Price working on a reforecast  
20 of the cost and schedule at Iatan?

21 A. Yes.

22 Q. Did Mr. Price say that he had to get the  
23 forecast right because he couldn't keep going back to  
24 the Commission with other forecasts because they  
25 would lose all confidence in the work?

1           A.       Yes.

2           Q.       Do you agree that repeated forecasts  
3     impact the confidence one has in the work?

4                   MR. ZOBRIST:  Objection, lack of  
5     foundation.  This man is an auditor, he's not a  
6     construction manager or analyst.

7                   JUDGE STEARLEY:  Perhaps you can provide  
8     a little more foundation for us, Mr. Williams.

9     BY MR. WILLIAMS:

10          Q.       Mr. Rose, what do you know about  
11     forecasts, construction forecasts in particular?

12          A.       As far as the details?  I'm not sure  
13     what you're asking.

14          Q.       Well, why does one do a construction  
15     forecast?

16                   MR. ZOBRIST:  Well, objection.  There's  
17     not been a foundation laid that he can respond to  
18     that question.

19                   MR. WILLIAMS:  I believe he's --

20                   JUDGE STEARLEY:  I'm going to overrule.  
21     He can answer that question to the extent that he can  
22     answer it.

23                   THE WITNESS:  Well, generally, you do a  
24     forecast or an estimate or a budget to establish a  
25     benchmark to measure your performance as far as on

1 the project and to manage that project.

2 BY MR. WILLIAMS:

3 Q. And why would you do a reforecast?

4 A. If at some point in time that you see  
5 that the -- your original budget has -- you're having  
6 issues with it where it's being pressure -- you know,  
7 it's basically if you've blown that budget or you  
8 appear to have issues with it, then you look at doing  
9 a reforecast.

10 Q. And do credit rating agencies rely on  
11 forecasts in assessing creditworthiness of companies?

12 MS. PARSON: I'm going to object to that  
13 question.

14 THE COURT REPORTER: Could you hang on a  
15 second? I'm sorry, Nathan. Could you repeat it?

16 BY MR. WILLIAMS:

17 Q. Do credit rating agencies rely on  
18 forecasts in making creditworthiness determinations?

19 MS. PARSONS: And I'm going to object to  
20 that question. That lacks foundation. Mr. Rose has  
21 testified that he hasn't -- he doesn't work for a  
22 credit rating agency, so he wouldn't necessarily know  
23 what they use.

24 JUDGE STEARLEY: Mr. Williams, would you  
25 like to build another foundation for that as well for

1 this witness?

2 BY MR. WILLIAMS:

3 Q. Mr. Rose, are you familiar with what  
4 information credit rating agencies rely upon for  
5 making creditworthiness determinations?

6 A. Just in general terms, not in detail.

7 Q. Do you know if they rely on budget --  
8 budgeted forecasts in construction projects in making  
9 a determination of creditworthiness?

10 A. Yes.

11 Q. Do you know why a company would do a  
12 reforecast?

13 MS. PARSONS: I'll object that that's  
14 been asked and answered.

15 MR. WILLIAMS: I'm lost. Which question  
16 was I on before we got into this foundation issue?

17 JUDGE STEARLEY: I believe that has been  
18 asked and answered. I would sustain that.

19 BY MR. WILLIAMS:

20 Q. All right. Do reforecasts impact how a  
21 credit rating agency would view the creditworthiness  
22 of a company? And I'm talking about construction  
23 project reforecast.

24 A. Yes.

25 Q. At the joint owners meeting in -- on

1 February 14th of 2008, did Kansas City Power & Light  
2 Company acknowledge that the Iatan 1 numbers were not  
3 reality?

4 A. Yes.

5 Q. And what -- without giving me a figure,  
6 what Iatan 1 numbers were they referring to?

7 A. It would be the cost.

8 Q. The budgeted forecast cost --

9 A. The budgeted -- yes.

10 Q. -- or something else? And what did they  
11 say to indicate that those were not reality?

12 A. It was actually one of the joint owners  
13 from Empire during discussions made the -- made the  
14 statement that, "The numbers that we are looking at,  
15 this is not reality." And Mr. Easley acknowledged  
16 that, as -- as did the other members of the project  
17 team that was there.

18 Q. And what's your understanding of them  
19 not being reality? What's that based upon?

20 A. Well, I think if you go back -- somebody  
21 earlier testified today about the -- in talking about  
22 your risk and opportunity where there's costs that  
23 are known that are not included in the current  
24 numbers, you're talking about those numbers.

25 The -- the information that they were

1 presenting at that time did not include costs that  
2 were out there that were -- that were known,  
3 basically. They may not have been incurred yet, but  
4 they knew that they were on the horizon.

5 Q. Well, did the numbers that were current  
6 at that point in time in terms of the budget include  
7 a contingency?

8 A. Yes.

9 Q. To say that the numbers were not  
10 reality, would that have meant something with regard  
11 to that contingency as well?

12 MR. ZOBRIST: Well, Judge, I think -- I  
13 think the way the question is phrased, it's calling  
14 for speculation. If the witness knows, I certainly  
15 have no objection to him to say, but the way it's  
16 phrased, I think it calls for speculation.

17 JUDGE STEARLEY: Could you rephrase,  
18 Mr. Williams?

19 BY MR. WILLIAMS:

20 Q. In your view of whenever numbers in a  
21 budget no longer reflect reality, does that have any  
22 relationship to the contingency that's built in that  
23 budget?

24 MR. ZOBRIST: Objection, relevancy. It  
25 has nothing to do with the matter that we're dealing

1 with here which is the reforecast -- the numbers  
2 relating to Iatan. Hypothetically, I think this has  
3 no probative value.

4 MR. WILLIAMS: And where it does have  
5 probative value is that we're talking about the  
6 Iatan 1 numbers and what the meaning is about the  
7 statements made that the numbers are no longer  
8 reality.

9 And what I'm getting at is whether those  
10 numbers have exceeded the budget including the  
11 contingency, and then what -- that would have an  
12 impact on creditworthiness in that the credit rating  
13 agencies had not been provided with the updated  
14 information, and the information they were relying on  
15 for making their creditworthiness determination was  
16 not the best available information and was wrong.

17 MR. ZOBRIST: Well, Judge, this appears  
18 to be engaging in a series of hypothetical questions.  
19 This witness has no knowledge concerning the  
20 reforecast. It was just, you know, discussed  
21 internally at KCPL last Friday. And if we need to  
22 talk about specific numbers, then we should go  
23 in-camera.

24 But judging by what the witness has said  
25 so far, these are generic hypothetical questions and

1 they're not probative of the issues that we're  
2 supposed to be dealing with here at this time.

3 JUDGE STEARLEY: Okay.

4 MR. WILLIAMS: Judge, this is limited to  
5 Iatan 1 and Iatan 2.

6 JUDGE STEARLEY: At this point I'm going  
7 to overrule the objection. You will get an  
8 opportunity, Mr. Zobrist, as will Ms. Parsons to also  
9 examine this witness, and you can address some of  
10 those issues on your examination of him. And you may  
11 proceed, Mr. Williams.

12 BY MR. WILLIAMS:

13 Q. Do you recall the question?

14 A. Would you repeat it?

15 Q. Let's limit it a bit. With regard to  
16 the construction at Iatan 1, what's your  
17 understanding -- what does it mean to you to not be  
18 reality with regard to the original budget and with  
19 regard to the contingency that was built into that?

20 A. I believe at that time the contingency  
21 was already used up and they were -- they'd  
22 acknowledged that they were going over budget.  
23 The -- but some of the numbers that were on the  
24 reports that they were handing out did not include  
25 some costs that -- that were out there that they knew



1 about. And that's where the "not reality" comment  
2 came from in the statement.

3 Q. That's a characterization that you made,  
4 though?

5 A. No. It's a characterization that the  
6 joint representative from Empire made.

7 Q. And you may have said that, and if so, I  
8 apologize for covering ground again. But who made --  
9 who for Kansas City Power & Light Company at that  
10 meeting made the acknowledgment that the numbers  
11 were --

12 A. Steve Easley did and the other members,  
13 I believe, Brent -- was it Brent? Let's see.  
14 Mr. Foster and Mr. Price basically nodded their heads  
15 in agreement.

16 Q. Well, who was present there for Kansas  
17 City Power & Light Company?

18 A. That would be Mr. Easley, Mr. Price and  
19 Mr. Foster, among others.

20 Q. Has Aquila received any Iatan reforecast  
21 at this time?

22 A. Not that I'm aware of.

23 Q. Do you know when the reforecast of the  
24 Iatan cost began?

25 A. We were told that it started in October

1 of 2007.

2 Q. At the time the reforecast began, had  
3 Kansas City Power & Light Company provided Aquila  
4 with a reasonable forecast of the Iatan cost and  
5 schedule?

6 A. As far as I know, yes.

7 MR. WILLIAMS: Thank you for your time.

8 JUDGE STEARLEY: Thank you,  
9 Mr. Williams. Examination, Public Counsel.  
10 Mr. Mills.

11 MR. MILLS: I think just a couple of  
12 clarifying ones.

13 CROSS-EXAMINATION BY MR. MILLS:

14 Q. Mr. Rose, the -- one of the first agenda  
15 items that you discussed in your February 15th memo  
16 is Mr. Price's departure; is that correct?

17 A. Yes.

18 Q. But he was -- he was at this meeting on  
19 February 14th?

20 A. No. This was after he'd left.

21 Q. Okay. So when you were -- you started  
22 to say Brett or Brent someone in response to a  
23 question from Mr. Williams and then you said  
24 Mr. Price?

25 A. I'm sorry. It's Mr. Fischer.

1 MR. ZOBRIST: Davis, Brent Davis?

2 THE WITNESS: Brent Davis. Mr. Davis.

3 Thank you.

4 BY MR. MILLS:

5 Q. And in the last few responses to  
6 Mr. Williams when you said Mr. Price, you were  
7 thinking of Brent Davis?

8 A. Right, yes.

9 MR. MILLS: Okay. Thank you. That's  
10 all I have.

11 THE WITNESS: Thanks.

12 JUDGE STEARLEY: Thank you, Mr. Mills.  
13 Examination, AgProcessing.

14 MR. WOODSMALL: No questions, thank you.

15 JUDGE STEARLEY: Examination, Black  
16 Hills.

17 MR. DeFORD: No questions, thank you.

18 JUDGE STEARLEY: GPE.

19 CROSS-EXAMINATION BY MR. ZOBRIST:

20 Q. Mr. Rose, at the time of this meeting on  
21 February 25 -- 15th, 2008, you were aware that the  
22 reforecast was in process, correct?

23 MR. WILLIAMS: Judge, I'm going to  
24 object to that because the memorandum and Mr. Rose's  
25 testimony is that the meeting was on February 14th,

1     although the memo's dated February 15th.

2                   MR. ZOBRIST:   That's fine.

3                   JUDGE STEARLEY:  If you'd like to  
4     rephrase with that correction, Mr. Zobrist.

5                   MR. ZOBRIST:  Yes, sir.

6     BY MR. ZOBRIST:

7           Q.       The date of your memo is February 15th  
8     referring to the meeting on February 14th; is that  
9     correct, sir?

10          A.       Yes.

11          Q.       And at that time, you knew that the  
12     reforecast was in process being conducted by the  
13     project leadership team at Iatan?

14          A.       Would you clarify which reforecast?

15          Q.       There's only been one reforecast  
16     according to the evidence here.  What other  
17     reforecast are you speaking of?

18          A.       Well, what we were being communicated  
19     is -- to the joint owner team was that there was a  
20     reforecast that was started in October of 2007 that  
21     would be completed in December of 2007, at the end of  
22     that year.

23          Q.       And that was not completed, was it?

24          A.       We were told that it was completed.  The  
25     January 10th meeting, Dave said that it was done, it

1 was going to be -- or was going to be presented to  
2 the leadership team there at KCP&L, I think on the  
3 22nd, that morning, and then to the joint owners on  
4 the twenty -- or that afternoon and then at the  
5 Commission then the following day.

6 Q. Okay. And that never occurred, did it?

7 A. The -- the meetings or the ...

8 Q. The reforecast that you're referring to,  
9 that -- that never occurred, did it?

10 A. As far as what was being communicated to  
11 us as joint owners at those meetings, there was a  
12 reforecast that was done during that period of time  
13 that was completed.

14 Q. Did you ever see that reforecast?

15 A. No.

16 Q. Do you know anyone at Aquila who saw  
17 that reforecast?

18 A. No.

19 Q. Have you ever seen a document called a  
20 reforecast that was produced either in December of  
21 2007 or January 2008?

22 A. No. Only what they were communicating  
23 to us in the joint owners meetings.

24 Q. And what you understood at the meeting  
25 in February was that the reforecast process was still

1 ongoing; isn't that true?

2 A. They had started a new reforecast at  
3 that point in time because the other one -- there  
4 were issues with that.

5 Q. Right. It hadn't been completely  
6 vetted, correct? Isn't that what Mr. Easley said at  
7 this meeting?

8 A. At this meeting?

9 Q. Let me call your attention to the  
10 last --

11 A. Okay.

12 Q. -- page on the bottom of Exhibit 146.  
13 Does it not state, "KCPL indicated that a new project  
14 is underway to validate these numbers through  
15 collection of additional data support"?

16 A. Yes, new project at that point in time.

17 Q. And so you're saying that this project  
18 to validate these numbers is a new reforecast?

19 A. At that point in time, yeah -- yeah,  
20 they said they had started to redo the reforecast and  
21 had started to -- they were going back to their  
22 senior management to vet those numbers further to  
23 gather more data but --

24 Q. Because -- go ahead.

25 A. Okay. But again, you know, what we were

1 being told in -- that late fall, the October,  
2 November, December time frame by the project team is  
3 different than what was communicated later.

4 Q. Well, isn't it true that they told you  
5 in February that the numbers that were being examined  
6 in December and January were not reliable and  
7 required further vetting and analysis?

8 A. I don't think they said "reliable."  
9 They just -- they said that they wanted to go back  
10 and vet those more with management and gather more  
11 data.

12 Q. And validate them, correct?

13 A. Yes.

14 Q. And you knew that that process was  
15 ongoing at the time that you wrote this memo with  
16 Mr. Thomas, correct?

17 A. Yes. Well, I mean, that was part of  
18 what they were telling us at this meeting.

19 Q. Right. And do you understand -- now,  
20 you've been here the last day or so, haven't you,  
21 sir?

22 A. Yeah.

23 Q. Okay. And do you understand that the  
24 reforecast that is about to be presented to the GPE  
25 board is a product of that validation process?

1           A.       Yes.

2           Q.       And then just a couple of questions on  
3 credit rating agencies. Have you yourself  
4 represented Aquila with credit rating agencies?

5           A.       No.

6           Q.       Okay. Have you ever represented any  
7 company with credit rating agencies?

8           A.       No.

9           Q.       Okay. And so you don't know the process  
10 of how a company goes through to present material to  
11 credit rating agencies and to obtain a rating?

12          A.       No.

13                   MR. ZOBRIST: Okay. Thank you. Nothing  
14 further, Judge.

15                   JUDGE STEARLEY: Okay. Thank you,  
16 Mr. Zobrist. We are to questions from the Bench.  
17 Commissioner Murray.

18                   COMMISSIONER MURRAY: No questions,  
19 thank you.

20                   JUDGE STEARLEY: And no examination  
21 based on those. And examination from Aquila.

22                   MS. PARSONS: No questions.

23                   JUDGE STEARLEY: Well, Mr. Rose, that  
24 concludes your examination. You may step down.  
25 Thank you for your testimony. I will not finally



1 release you in case your -- the Commissioners have  
2 additional questions for you, but you are released as  
3 far as today is concerned.

4 THE WITNESS: Thank you.

5 JUDGE STEARLEY: Mr. Williams, were you  
6 going to offer this exhibit?

7 MR. WILLIAMS: Yes, Staff offers  
8 Exhibit 146.

9 JUDGE STEARLEY: Okay. And before I  
10 take up the matter of objections, I would note from  
11 the offset -- outset, that there is a section on the  
12 first page of 146 referencing an anonymous letter.  
13 The Commission has already ruled that that material  
14 is wholly irrelevant, and should this document be  
15 received, that information will be excluded and will  
16 not be considered by the Commission. And bearing  
17 that in mind, are there any objections to the  
18 admission of this document?

19 MR. WILLIAMS: Judge, I'd also note that  
20 it's HC.

21 JUDGE STEARLEY: Thank you,  
22 Mr. Williams. And it will remain as HC status. Any  
23 other objections?

24 (NO RESPONSE.)

25 JUDGE STEARLEY: Hearing none, it shall

1 be admitted with those two qualifications.

2 (EXHIBIT NO. 146 HC WAS RECEIVED INTO  
3 EVIDENCE AND MADE A PART OF THE RECORD.)

4 JUDGE STEARLEY: I believe that brings  
5 us to Mr. Sherman.

6 MR. WILLIAMS: Staff calls Max Sherman.  
7 (The witness was sworn.)

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

10 DIRECT EXAMINATION BY MR. WILLIAMS:

11 Q. What is your name?

12 A. Max Sherman.

13 Q. How do you spell your name?

14 A. M-a-x, S-h-e-r-m-a-n.

15 Q. Who currently employs you?

16 A. Aquila.

17 Q. What is your job position at Aquila?

18 A. Title is vice president, strategic

19 initiatives. It doesn't describe the scope.

20 Q. Please describe the scope.

21 A. Currently the co-owner representative  
22 for the company on Aquila's minority-owned interests  
23 in a couple of coal projects, the Iatan station which  
24 KCPL is the primary owner, and Jeffrey Energy Center  
25 in Saint Maries, Kansas in which we have a small

1 ownership share.

2 In addition, responsible for filing  
3 special use permit applications for South Harper and  
4 also led the development effort for the Sedalia  
5 potential expansion site in Sedalia, Missouri.

6 Q. How long have you been employed with  
7 Aquila?

8 A. This time approximately three and a half  
9 years. Total length of employment in two stints is a  
10 little over ten.

11 Q. Would you go over your employment  
12 history briefly?

13 A. With -- with Aquila or total?

14 Q. Total.

15 A. And I'll -- owners -- owners rep on a  
16 dormitory construction job in grad school from  
17 beginning to end, which ... Four years Commonwealth  
18 Edison on the Clinch River Breeder Reactor, cognizant  
19 engineer. It's a \$2 billion reactor job in the late  
20 '70s.

21 Senior staff on -- for the owner of the  
22 Grand Gulf Nuclear Station in Port Gibson,  
23 Mississippi, a \$3.6 million job in the early to mid  
24 1980s. Power marketer for Entergy, I'll skip the  
25 details on that. Asset manager for 809 megawatts of

1 utility generation that was spun out of rate base;  
2 was responsible for that with P&L responsibility.

3 Developer of the Aries Power Plant and  
4 responsible for construction during the first few  
5 months before a partner was brought in to take that  
6 over. Developer in Crossroads Energy Center in  
7 Clarksdale, Mississippi, a 308-megawatt peaking  
8 station in Clarksdale. The wind-down of Merchant,  
9 was a consultant through Tyr, T-y-r, Energy out of  
10 Overland Park assisting Aquila's Merchant business  
11 and improving the economics of a couple of projects.

12 After rejoining the company, essentially  
13 assumed most of the current roles including being the  
14 commercial lead on negotiation of our participation  
15 in Iatan -- Iatan 2.

16 Q. Amongst the different things you've  
17 indicated you've done was a developer of power  
18 plants. What did you do in that role?

19 A. The development role typically requires  
20 assembling site permits, contracts for construction  
21 equipment, material supplies, water, transmission  
22 interconnection, a interconnection for fuel supply as  
23 well. All the things that have to be done before you  
24 break ground including lining up construction and  
25 engineering contractors. So I led the effort for

1     that on the Aries Power Plant. Also did so for the  
2     Crossroads Power Plant.

3                     On Aries I was the owners' construction  
4     manager for the first few months of the job on the  
5     merchant side of the business. For Crossroads,  
6     assisted the construction team during the duration of  
7     the construction job through completion.

8             Q.     In connection with your current position  
9     at Aquila, what is the nature of your job duties  
10    regarding utility construction activities?

11            A.     Primarily an oversight or monitoring  
12    role on behalf of the minority owner. So in the case  
13    of Iatan, it involves attending the joint owner  
14    meetings and occasionally some other meetings as I  
15    deem fit to have the time to participate.

16            Q.     And what role do you play at the joint  
17    owners meetings?

18            A.     I am the representative -- one of two  
19    representatives for Aquila. So I'm probably the one  
20    that asks the most questions.

21            Q.     Who is the other representative?

22            A.     Mr. Scott Heidtbrink.

23            Q.     Are you familiar with a firm called  
24    Standard & Poor's?

25            A.     Somewhat.

1 Q. What do you know about that firm?

2 A. Well, among other things, they are a  
3 credit rating agency.

4 Q. Are you familiar with a firm called  
5 Moody's?

6 A. Yes.

7 Q. And what is it that you know about  
8 Moody's?

9 A. Same as above.

10 Q. During the course of your employment  
11 over the -- your full employment history, have you  
12 had occasion to deal with forecast and reforecast of  
13 construction activities?

14 A. Yes, sir.

15 Q. Once or numerous times?

16 A. I guess in terms of a full-blown project  
17 reforecast, been involved on one large construction  
18 job where that was done once, and was obviously  
19 responsible for budget on my own construction jobs.

20 Q. When was this full-blown reforecast done  
21 that you're referring -- you referred to?

22 A. It's on the Clinch River Breeder Reactor  
23 back in the late '70s.

24 Q. Do you have any involvement with the  
25 construction activity at Iatan 1 and 2?

1           A.       Other than monitoring KCPL and on  
2     assuring that Aquila is on schedule for a small part  
3     of the job that it is responsible for, no.

4           Q.       Are you aware of any reforecast  
5     activities of the construction at Iatan?

6           A.       Yes.

7           Q.       And what is it that you know about those  
8     reforecast activities?

9           A.       What has been communicated to joint  
10    owners in the monthly joint owner meetings and upon  
11    review of the monthly internal reports on the units  
12    that are on the SharePoint web site.

13          Q.       And what information has been  
14    communicated, without getting into numbers?

15          A.       Process started in October. It was due  
16    to be completed by the end of the year. That got  
17    moved to January 22. The -- whatever was completed  
18    was apparently not deemed to be acceptable, and as  
19    best I can tell, they started over.

20          Q.       And whenever you said the process began  
21    in October, were you referring to October of 2007?

22          A.       Yes, sir. Not counting the risk and  
23    opportunity development process that started before  
24    that.

25          Q.       Is there any relationship between the

1 risk and opportunity process and the reforecast?

2 A. It's my understanding that the risk and  
3 opportunity process as that evolved led to a decision  
4 to initiate a reforecast.

5 Q. What's your understanding of why the  
6 reforecast was initiated?

7 A. It was pretty well understood that cost  
8 and schedule were under challenge for both projects.

9 Q. And what do you mean by "under  
10 challenge"?

11 A. If it looks -- I'm going to answer this  
12 generically. If a -- if a schedule is under  
13 challenge, you know, the implication is that you have  
14 a significant risk of being late compared to your  
15 target completion date with the current plan that you  
16 have and similarly exceeding the budget for the job.

17 So if there is a significant risk in  
18 either going over your -- your targeted completion  
19 date or your -- what is on this job the control  
20 budget estimate, you know, that provides a pretty  
21 reasonable basis for taking another look at the  
22 process to see where you are.

23 Q. In your experience, what has been the  
24 basis for when a reforecast is performed?

25 MR. ZOBRIST: Judge, in light of



1 Mr. Sherman's testimony which related to Iatan, I  
2 don't see the relevancy of this general question. I  
3 object on relevancy basis.

4 JUDGE STEARLEY: Mr. Williams?

5 MR. WILLIAMS: What he's testified to is  
6 his understanding of why there was a reforecast done  
7 with regard to Iatan. I'm asking him if that --  
8 basically, whether or not that's something he's seen  
9 as an experience or if there are other reasons for  
10 why reforecasts are performed.

11 JUDGE STEARLEY: I'm going to overrule.  
12 You can answer the question.

13 THE WITNESS: I guess there are two  
14 reasons: The full-blown reforecast, in my  
15 experience -- I am referring to my nuclear  
16 experience -- is when you -- when it appears -- when  
17 the trends tell you, when the evidence that you have  
18 tells you that you are at significant risk of either  
19 overrunning or being late compared to what your  
20 targeted budget and completion dates are.

21 The other is that you really do update  
22 your numbers versus your estimate every month or  
23 fairly frequently, so that's -- that's just a routine  
24 process that goes on on most projects. But from the  
25 standpoint of the full-blown reforecast, it's when

1 your overall goals are under challenge.

2 BY MR. WILLIAMS:

3 Q. I'm going to try to tie those together.

4 What's your basis of your understanding as to why the  
5 reforecast was performed for Iatan?

6 MR. ZOBRIST: Judge, I just think he  
7 already asked -- that was asked and answered. I --  
8 you know ...

9 JUDGE STEARLEY: I believe that's true.  
10 I'll sustain that. You've already answered that one,  
11 so you don't have to answer it again.

12 MR. WILLIAMS: Well, what I asked before  
13 was what his understanding was of why it was done.  
14 I'm asking now what's his basis for that  
15 understanding. At least that was the question I  
16 intended to ask. If I did not, and if not, I'll ask  
17 it now.

18 BY MR. WILLIAMS:

19 Q. What's the basis for your understanding  
20 of why the reforecast was performed at -- for Iatan?

21 THE WITNESS: Should I answer, sir?

22 JUDGE STEARLEY: You may -- I've not  
23 heard an objection yet, but, Mr. Zobrist, do you --

24 MR. ZOBRIST: Maybe I was living in  
25 déjà vu land, but I thought Mr. Williams covered that

1 over the last five or ten minutes. But I guess I  
2 have no objection to him restating all that stuff.  
3 But the basis is that he's Aquila's representative  
4 and he's already talked about it, so ...

5 JUDGE STEARLEY: All right. You may  
6 answer.

7 THE WITNESS: Thank you, your Honor.  
8 The risk and opportunity analysis that had been  
9 completed by the time the reforecast process was  
10 initiated indicated that Iatan 1 was going to be over  
11 its control budget estimate.

12 And we were seeing indications that the  
13 cost and schedule for unit 2 were also under  
14 challenge. And it was also clear at that point that  
15 the schedule for Iatan 1 was going to be a fight. It  
16 was going to be a struggle from that point. So it  
17 clearly made sense to start that process at that  
18 time.

19 BY MR. WILLIAMS:

20 Q. So your understanding was based upon  
21 your experience as opposed to someone at Kansas City  
22 Power & Light Company saying, here's why we're doing  
23 a reforecast?

24 A. Seeing the risk and opportunity numbers  
25 that were presented and made by the vice president of

1 construction. It was very obvious why that needed to  
2 be done.

3 Q. Who's David Price?

4 A. Mr. Price was the vice president of  
5 construction for Kansas City Power & Light Company.

6 Q. And was he involved in any reforecast  
7 activities regarding the construction at Iatan?

8 A. Yes, sir.

9 Q. At what point in time was he involved in  
10 reforecast activities?

11 A. To the best of my knowledge, from the  
12 time it initiated through at least January 22.

13 Q. Did Mr. Price make a statement at a  
14 joint owners meeting that he thought he would have to  
15 make the new forecast high enough because he thought  
16 he would only get one opportunity?

17 A. I don't remember the exact words, but  
18 the thrust was that he expected to get one  
19 opportunity to do it and needed to get it right.

20 Q. How was it you learned that the  
21 reforecast activity was taking place regarding the  
22 Iatan construction?

23 A. We were notified at one of the joint  
24 owner meetings.

25 Q. Would that have been in October?

1           A.       No, sir. It would have been the  
2 November one. Joint owner meetings typically report  
3 on the previous month.

4           Q.       The reforecast activities, were they  
5 related to a construction at both unit 1 and unit 2?

6           A.       Yes.

7           Q.       Did you play any role in the reforecast  
8 activities?

9           A.       Only making sure that current numbers  
10 for Aquila's small scope were fed into the project  
11 controls organization. Other than that, no.

12          Q.       Why not?

13          A.       I don't have line responsibility for  
14 that activity, sir.

15          Q.       Do you know if Iatan 1 project costs  
16 were overbudget by February 14th, 2008?

17          A.       Yes.

18          Q.       Do you know if Iatan 1 was --

19          A.       Excuse me. Could you repeat the  
20 question, please?

21          Q.       Which question?

22          A.       The previous one. Were you referring to  
23 unit 1 or unit 2?

24          Q.       Unit 1.

25          A.       Yes.

1           Q.       I'll repeat the full question just to  
2     make sure and try to make the record cleaner. Do you  
3     know if Iatan 1 project costs were overbudget by  
4     February 14th, 2008?

5           A.       They were.

6           Q.       Do you know if on February 14th, 2008,  
7     Iatan 1 was going to be completed on schedule?

8           A.       It appeared that that was going to be  
9     very difficult to accomplish if it could be.

10          Q.       Do you know if Kansas City Power & Light  
11     Company or any of the joint owners disclosed that  
12     Iatan 1 was overbudget as of -- by February 14th,  
13     2008?

14                   MR. ZOBRIST: If that's a yes or a no,  
15     maybe we don't need to go in-camera. If we pursue  
16     this, Judge, we -- we need to go in-camera.

17     BY MR. WILLIAMS:

18          Q.       It's a yes or no.

19          A.       Yes.

20                   MR. WILLIAMS: And I assume the next  
21     question needs to be in-camera.

22                   MR. ZOBRIST: Well, if you're going to  
23     ask -- if we're going to get into numbers, yes.

24                   MR. WILLIAMS: Well, at this point I  
25     think all he's testified to is that he knows whether

1 or not it's been made public, unless I misrecalled my  
2 question.

3 MR. ZOBRIST: Well, I think given the --  
4 the other sessions that we have of other witnesses  
5 about, you know, where numbers are going to be,  
6 below, at or above the control budget estimate,  
7 Judge, why don't we go into HC, at least temporarily.  
8 And if we need to declassify it, I can work with  
9 Mr. Williams.

10 MR. WILLIAMS: I'm not going there.

11 JUDGE STEARLEY: All right.  
12 Mr. Williams, I'll trust that, and Mr. Zobrist, I'll  
13 trust you to let me know if you think a question  
14 strays into HC.

15 BY MR. WILLIAMS:

16 Q. Had -- did -- as of February 14, 2008,  
17 had Kansas City Power & Light Company or any of the  
18 joint owners made it known publicly that it was  
19 unlikely that Iatan 1 was going to come in on  
20 schedule?

21 A. I can't speak to whether there were any  
22 public disclosures. I do not know, or I do not know  
23 of any.

24 Q. In your opinion, as of February 14,  
25 2008, could Iatan 2 -- could the construction of

1 Iatan 2 been completed on time without incurring  
2 additional construction cost?

3 A. My understanding was that it could be  
4 completed on time, but I did expect that there would  
5 be additional cost to do so.

6 Q. And that would be additional costs over  
7 the budgeted cost?

8 A. Over the control budget estimate.

9 Q. Did you attend the February 14, 2008  
10 joint owners meeting?

11 A. Yes.

12 Q. Were there statements made by  
13 representatives of Kansas City Power & Light Company  
14 acknowledging that the control budget estimate  
15 numbers were no longer reality?

16 A. More nodding of heads, but the intent  
17 was clear.

18 Q. So the acknowledgment was done by  
19 nodding heads as opposed to verbally, is that what  
20 you're saying?

21 A. That was what I recall.

22 MR. WILLIAMS: Judge, may I approach?

23 JUDGE STEARLEY: You may.

24 BY MR. WILLIAMS:

25 Q. Handing you what's been marked as



1 Exhibit 146 which is a highly confidential document  
2 in part. (Mr. Williams handed the witness the  
3 document.) Would you take a moment and review that  
4 document?

5 A. Thank you. (Witness complied.) Yes,  
6 sir.

7 Q. Bearing in mind that this is a highly  
8 confidential document, did you attend the  
9 February 14th, 2008 joint owners meeting that's  
10 referred to in the -- in the -- what's been marked as  
11 Exhibit 146?

12 A. I did.

13 Q. And having had an opportunity to review  
14 Exhibit 146, are there any statements made in that  
15 exhibit that you disagree with, with regard to how  
16 that meeting's characterized or information that was  
17 disclosed at that meeting?

18 MS. PARSONS: I'll --

19 MR. ZOBRIST: I --

20 MS. PARSONS: I'm going to object. I  
21 mean, this is a one-and-a-half-page document that he  
22 didn't prepare, so if Mr. Williams would like to go  
23 through it individually, I don't have an objection to  
24 Mr. Sherman responding. But in general, I don't  
25 think -- I don't think that it's appropriate for him

1 to ask if there are any -- any information in the  
2 document that he disagrees without going through it  
3 specifically line by line.

4 JUDGE STEARLEY: Mr. Zobrist, did you  
5 have anything you were going to add to that?

6 MR. ZOBRIST: No. No, your Honor.

7 JUDGE STEARLEY: Mr. Williams, your  
8 response?

9 MR. WILLIAMS: If we want to go through  
10 it line by line, we can do that.

11 MR. ZOBRIST: Well, I object to that  
12 because it's in evidence. And -- and, frankly, the  
13 opinion of this witness on somebody else's opinion  
14 that's contained in a memo that's already in evidence  
15 I think is cumulative and redundant and not  
16 particularly probative to the issues that we're here  
17 for. Mr. Sherman is certainly competent to testify  
18 about his opinions on a number of issues and he has.

19 JUDGE STEARLEY: Mr. Williams?

20 MR. WILLIAMS: I'm just asking  
21 Mr. Sherman if he agrees with the statements that are  
22 made in this document as being accurately  
23 representative of what occurred at that particular  
24 meeting. And if there's any part of it that he does  
25 not, I'd like for him to clarify what and why just

1 for the Commission's purposes; otherwise, we can just  
2 leave it in the record.

3 MS. PARSONS: Well, again, I think that  
4 there are -- there are sections in the document that  
5 aren't relevant to the scope of these proceedings, so  
6 I would object that certain portions of it should be  
7 excluded from that line-by-line questioning.

8 JUDGE STEARLEY: Mr. Williams, why don't  
9 you take this section by section.

10 MR. WILLIAMS: All right. And I know  
11 the Commission's already ruled that the anonymous  
12 letter section is not --

13 JUDGE STEARLEY: Yeah, we'll just skip  
14 over that one.

15 BY MR. WILLIAMS:

16 Q. Okay. On the Iatan 2 agenda items, are  
17 there any statements made there that you believe  
18 inaccurately describe what occurred at the  
19 February 14th, 2008 joint owners meeting?

20 A. With regard to those four indented  
21 bullets, no, no change.

22 Q. And you're referring to the Dave Price  
23 departure?

24 A. Excuse me. Yes, I am.

25 Q. And then jumping down to "Project

1     Update," are there any statements there that you  
2     disagree with?

3             A.       No.

4             Q.       Then jumping down to the next darkened  
5     bullet, the "Cost Reforecast" which continues on to  
6     the next page?

7             A.       No.

8             Q.       Then under the "Iatan 1 Agenda Items" --

9             A.       Although, excuse me. On the top of  
10    page 2, I do have a correction. My recollection is  
11    different on one of those indented bullets, and  
12    particularly the third one.

13            Q.       Would -- would that include anything  
14    that involves numbers?

15            A.       Percentages -- percentage probabilities  
16    on when information would be provided.

17                    THE COURT REPORTER: Did you --

18                    THE WITNESS: No dollar numbers.

19    Percentage probabilities.

20                    THE COURT REPORTER: Did you say the  
21    third bullet?

22                    MR. WILLIAMS: Third bullet from the top  
23    of the second page.

24                    THE COURT REPORTER: Got it.

25    BY MR. WILLIAMS:

1           Q.       It's my understanding that's not being  
2       considered highly confidential, so if you want to  
3       explain your -- your disagreement with this  
4       characterization.

5           A.       My recollection without -- my  
6       recollection was that Mr. Easley, when pressed,  
7       suggested that there was a 50/50 or 40/60 probability  
8       that they might have internal numbers by the end of  
9       the first quarter, although there was some skepticism  
10      applied by one of the other KCPL gentlemen that was  
11      at the meeting.

12          Q.       Are there -- any other information under  
13      that particular -- the "Cost Reforecast" section that  
14      you would clarify or disagree with?

15          A.       No.

16          Q.       Then turning to the "Iatan 1 Agenda  
17      Items," is there anything under the "Project Costs"  
18      that you have a different recollection of or would  
19      clarify?

20          A.       I have a noncost clarification under the  
21      "Project Costs" section, and in particular, the  
22      fourth indented bullet that refers to a joint owner  
23      representative from MJMEUC. MJMEUC is not a joint  
24      owner of unit 1, so it couldn't have been them. I  
25      believe it was the representative from Empire, who,

1 along with Aquila, is the other joint owner in  
2 unit 1.

3 Q. Do you have any other clarification or  
4 in your view, corrections, to the section under  
5 "Iatan 1" marked "Project Costs"?

6 A. No.

7 Q. And then turning to the last section,  
8 the "Iatan 1 Agenda Items Outage Planning," do you  
9 have any corrections or clarifications from your  
10 point of view as to the information contained there?

11 A. My recollection on the second bullet  
12 is -- is different, and I want to emphasize it's a  
13 recollection. During one of these two meetings, a  
14 revised schedule was handed out and returned, and I  
15 don't believe the extension in question was for the  
16 duration specified here in the last bullet. It was  
17 three months, worst case. And I believe it was on  
18 unit 2.

19 Q. So the -- what you've just provided are  
20 your differences in recollection of what occurred at  
21 the February 14th, 2008 meeting as opposed to what's  
22 shown on this memorandum with the exception of the  
23 anonymous letter section?

24 A. Yes.

25 Q. Would you have confidence in a

1 reforecast performed by David Price?

2 A. Yes.

3 MR. WILLIAMS: No further questions.

4 JUDGE STEARLEY: Thank you,

5 Mr. Williams. Examination, Public Counsel.

6 Mr. Mills.

7 MR. MILLS: No questions.

8 JUDGE STEARLEY: AgProcessing,

9 Mr. Woodsmall.

10 MR. WOODSMALL: Yes, thank you, your

11 Honor.

12 CROSS-EXAMINATION BY MR. WOODSMALL:

13 Q. You stated at the beginning that you  
14 were involved in the construction of the Crossroads  
15 unit on behalf of Aquila; is that correct?

16 A. I was the developer. I turned over  
17 responsibility for construction to the construction  
18 team, but played a supporting role during that  
19 process.

20 Q. Do you know if at any time since that  
21 was completed, has Aquila done an analysis regarding  
22 the market value of Crossroads?

23 MS. PARSONS: I'm going to -- your  
24 Honor, I'm going to object because I don't know how  
25 this is relevant to the CEP of the Iatan 1 and 2

1 projects.

2 MR. WOODSMALL: Well, this is getting to  
3 be like a broken record. If you will recall, looking  
4 at Mr. Cline's testimony, that the company made a  
5 number of assumptions when they asked for an  
6 assessment by Standard & Poor's and by Moody's. One  
7 of the assumptions made by them was a valuation of  
8 Crossroads and the inclusion of that into rate base.

9 MS. PARSONS: But this witness is here  
10 under the topic of credit quality and the CEP issues,  
11 and so, therefore, that's outside of the scope of the  
12 purpose of this witness appearing today.

13 MR. WOODSMALL: Exactly. The value of  
14 Crossroads is an assumption in the KCP&L credit  
15 quality. That's why I'm asking him about whether an  
16 analysis has been done by Aquila on that market  
17 value.

18 JUDGE STEARLEY: Okay. I will overrule.  
19 You may answer the question.

20 THE WITNESS: I am not aware of any such  
21 analysis.

22 BY MR. WOODSMALL:

23 Q. Okay. Have you done any analysis -- or  
24 are you aware of any analysis done by Aquila  
25 regarding the availability of transmission to get the



1 power from Crossroads to its service area in  
2 Missouri?

3 A. I have been involved in it, so the  
4 answer is yes.

5 Q. Can you tell me what the conclusions are  
6 from those analyses?

7 A. We are still in the transmission que  
8 with the two parties whose systems we would have to  
9 cross still have that under study, so we do not have  
10 a final answer.

11 Q. Do you know -- can you tell me who the  
12 two parties are that you would need transmission  
13 from?

14 A. Southwest Power Pool for the  
15 transmission systems within the Southwest Power Pool  
16 footprint, and the Entergy system.

17 Q. And by -- when you say that you're in  
18 que, does that mean that you do not have firm  
19 transmission rights?

20 A. Not at this time.

21 Q. Okay. Do you anticipate that that would  
22 occur any time in the near future?

23 A. Hope springs eternal.

24 Q. Okay. But it's nothing more than hope  
25 at this point? You have no assurances that you

1 will --

2 A. I have a reasonable expectation that we  
3 will get there.

4 Q. That you will --

5 A. That we will succeed in obtaining  
6 transmission service from Entergy and from SPP.

7 Q. Do you know what the terms or rates will  
8 be for that transmission?

9 A. We have had some discussions with  
10 Entergy on that. In the case of the Southwest Power  
11 Pool, you don't know until you're through the  
12 studies.

13 Q. Okay. You stated previously that you  
14 were involved in -- or you are involved in the  
15 development of the Sedalia power project; is that  
16 correct?

17 A. That is correct.

18 Q. Can you tell us what the status of the  
19 Sedalia power project is?

20 MS. PARSONS: I'm going to -- I'm going  
21 to object to that question again for the same reason,  
22 that I don't see the relevance of that line of  
23 questioning, the Sedalia -- the Sedalia project with  
24 respect to the CEP issues and how that  
25 interrelation -- the interrelationship between the

1 credit quality and the merger.

2 JUDGE STEARLEY: Mr. Woodsmall?

3 MR. WOODSMALL: The relationship is  
4 twofold: One being if the Sedalia project develops,  
5 goes forward, you have the overarching question as to  
6 whether you still need Crossroads. Second aspect is  
7 if Sedalia goes forward, there is no mention in the  
8 assumptions as to what will be done with the Sedalia  
9 project.

10 So I'm just trying to find out if it's  
11 going forward, if it's going to develop so we know,  
12 one, how it affects Crossroads, and two, how it's  
13 going to be treated for credit quality.

14 JUDGE STEARLEY: Okay. Mr. Woodsmall, I  
15 don't see how that ties into any of the assumptions  
16 used by the credit rating agencies. It seems to me  
17 we're getting a little far down the track here.

18 MR. WOODSMALL: What I'm trying to show  
19 is that we have an unknown out there that hasn't been  
20 accounted for. If nothing's being done, then it's  
21 not an unknown. But I'm trying to show that we have  
22 an issue out there that hasn't been bothered to be  
23 provided to S&P or Moody's, and it would be an  
24 assumption that needs to be made. It's a very quick  
25 question as to whether they're going forward with

1 Sedalia or not.

2 JUDGE STEARLEY: Okay. Anything  
3 further, Ms. Parsons?

4 MS. PARSONS: Again, it's the same  
5 objection for the same reasons, that it's not been an  
6 issue in this case throughout, it's never been  
7 presented to any of the credit rating agencies, and  
8 it's -- I don't see the relevance for this.

9 MR. WOODSMALL: She just made my point.  
10 It's never been presented. It --

11 MR. MILLS: Judge, I --

12 MR. WOODSMALL: Go ahead.

13 MR. MILLS: Judge, if I may, I think if  
14 you turn to schedule -- and this is highly  
15 confidential -- but schedule MWC-18 attached to  
16 Mr. Bassham's additional supplemental testimony filed  
17 on February 25th, you will see -- and I don't want to  
18 get into highly confidential, but there is some  
19 relationship, I believe, to the Sedalia peaker cap X  
20 in those schedules.

21 JUDGE STEARLEY: I was curious if this  
22 had ever appeared in the record at all prior to  
23 today.

24 MR. MILLS: It certainly isn't mentioned  
25 under the name Sedalia, but if, for example, you look

1 under "Key Assumptions" on page 9 of that schedule --

2 JUDGE STEARLEY: Do you have that handy?

3 MR. MILLS: I do.

4 JUDGE STEARLEY: Mr. Mills, if you  
5 wouldn't mind approaching, you'll save me the effort  
6 of searching this down on EFIS.

7 MS. PARSONS: Mr. Mills, can you tell me  
8 again where that exhibit came from?

9 MR. MILLS: This is -- this is  
10 Mr. Bassham's -- I believe it was titled "Additional  
11 supplemental testimony," the one filed on  
12 February 25th, 2008, and it's -- it's filed as highly  
13 confidential. There are three schedules attached.  
14 This is -- the one I'm talking about is MWC-18 and  
15 I'm at page 9.

16 MS. PARSONS: And I think that that came  
17 from Mr. Cline's testimony.

18 JUDGE STEARLEY: I'm thinking that too,  
19 if it --

20 MR. MILLS: Absolutely, yes, yes. And  
21 the line I'm talking about is one, two -- it's the  
22 first bullet under "Operating" at the bottom of  
23 page 9. And we had some discussion among counsel as  
24 to whether or not that is referring to the Sedalia  
25 project or not. It's not entirely clear.

1 JUDGE STEARLEY: Thank you, Mr. Mills.

2 I'm going to sustain the objection.

3 MR. WOODSMALL: I'd ask to make an offer  
4 of proof, then, your Honor.

5 JUDGE STEARLEY: Go right ahead,  
6 Mr. Woodsmall.

7 OFFER OF PROOF BY MR. WOODSMALL:

8 Q. Can you tell me what the status is of  
9 the Sedalia CT project?

10 A. We have an option on the site. We have  
11 all the permits for the site except for the air  
12 permit. We are expecting a draft air permit to be  
13 issued by Missouri DNR very, very shortly. It's  
14 overdue.

15 MS. PARSONS: Your Honor, before he  
16 continues, I just need to make sure that this isn't  
17 confidential information, that this has been released  
18 to the public before he continues in his testimony.

19 JUDGE STEARLEY: All right. Very well.  
20 And if you -- you'll let me know if we need to go  
21 in-camera? Do you just need a few moments?

22 MS. PARSONS: Yes.

23 JUDGE STEARLEY: All right.

24 MS. PARSONS: Max could probably answer  
25 whether or not.

1                   THE WITNESS: I've always understood  
2 permits issued and clearances issued by public  
3 authorities to be public documents, and the  
4 application for an air permit is a public document.

5                   MS. PARSONS: Okay. Your Honor, I have  
6 clarified from my client. This is -- it's okay to  
7 stay on the public record.

8                   JUDGE STEARLEY: All right. Very well.

9 BY MR. WOODSMALL:

10           Q.       Please continue.

11           A.       No decision has been made to proceed  
12 with the project. The preference is for Crossroads.

13           Q.       So what would the size of the Sedalia  
14 project be?

15           A.       The project is being sized for two  
16 300-megawatt blocks, but that is absolutely open to  
17 change. It could be less. It simply depends on what  
18 the need is. If we can bring Crossroads home, then  
19 the need for Sedalia would be later if that turns out  
20 to be the right site for the next increment of  
21 generation expansion. And I am only speaking for  
22 Aquila as a standalone; I cannot speak for Kansas  
23 City Power & Light.

24           MR. WOODSMALL: Your Honor, in light of  
25 the information that we just had, that one is -- that

1 Crossroads is a preference over Sedalia, that they  
2 are somewhat interchangeable, one would go forward  
3 without the other, I think he has made the point as  
4 to the relevance.

5 Crossroads is certainly relevant. If  
6 Crossroads is relevant, then certainly Sedalia would  
7 be relevant. So I'd ask you, in light of his answer,  
8 if you would reconsider your ruling on the last  
9 objection.

10 JUDGE STEARLEY: Okay. As part of the  
11 offer of proof, I'm going to give Aquila's counsel,  
12 Ms. Parsons, an opportunity to rebut or further  
13 question this witness, and then I'll take up your  
14 request for reconsidering the ruling.

15 MR. WOODSMALL: Okay. I'm finished with  
16 my offer of proof. If you want to go on to her --  
17 however you want to do it, if you want to keep the  
18 offer of proof all encapsulated.

19 JUDGE STEARLEY: Well, as offer of  
20 proofs, my understanding is that includes all  
21 rebuttal thereto. So if Ms. Parsons has some  
22 rebuttal questions she would like to ask this  
23 witness, I want to include that in the offer.

24 MR. WOODSMALL: Well, we can do that  
25 now.



1 JUDGE STEARLEY: And then I'll -- I'll  
2 take up whether or not we'll change my ruling on it.

3 MR. WOODSMALL: Okay. My -- my exam on  
4 the offer of proof is done.

5 JUDGE STEARLEY: Okay. Thank you,  
6 Mr. Woodsmall. Ms. Parsons?

7 MS. PARSONS: I don't have any rebuttal  
8 questions, but I would like to respond to the request  
9 that the offer of proof be admitted into the record  
10 as evidence for the Commission to consider and that  
11 Mr. Sherman indicated that he can't speak for what  
12 KCP&L plans to do, so -- with respect to the Sedalia  
13 project or the Crossroads project, for that matter.

14 So therefore, I don't believe that it's  
15 relevant to the merger proceedings because the  
16 proceedings are -- are regarding what KCP&L's plans  
17 are, and that's what's been reported to the credit  
18 rating agencies, not what Aquila's plans are.

19 JUDGE STEARLEY: Any further response,  
20 Mr. Woodsmall?

21 MR. WOODSMALL: No.

22 JUDGE STEARLEY: Okay. My ruling will  
23 stand, and I rule it to be irrelevant.

24 MR. WOODSMALL: So we're back to regular  
25 cross-examination?

1 JUDGE STEARLEY: Yes, we are.

2 MR. WOODSMALL: Okay. I think I'm just  
3 about done.

4 CROSS-EXAMINATION (RESUMED) BY MR. WOODSMALL:

5 Q. You mentioned previously it was your  
6 opinion regarding the Iatan 2 schedule, quote, that  
7 it was "under challenge." Do you recall that?

8 A. Yes.

9 Q. Were you here previously when Mr. Davis  
10 testified?

11 A. No. Missed most of it.

12 Q. Okay. Okay. Were you aware that in  
13 conducting the reforecast that the schedule date for  
14 Iatan 2 was taken as a given?

15 A. I was not, but I am not surprised.

16 Q. To the extent --

17 JUDGE STEARLEY: Excuse me. Just for  
18 clarity, that was just a question, Mr. Sherman, so  
19 your final remark there, I'm not sure that's  
20 appropriately part of your answer to Mr. Woodsmall's  
21 question, so ...

22 THE WITNESS: Thank you, your Honor.

23 BY MR. WOODSMALL:

24 Q. So to the extent that the Iatan --

25 JUDGE STEARLEY: I will strike that.

1 Unless there's some bearing on your question --

2 MR. WOODSMALL: I don't care.

3 JUDGE STEARLEY: -- that that portion of  
4 the answer went to, I'm going to strike that last  
5 remark.

6 BY MR. WOODSMALL:

7 Q. Okay. To the extent that the Iatan 2  
8 schedule is taken as a given in the reforecast, would  
9 you still believe that it would be under challenge?

10 MR. ZOBRIST: Well, Judge, I've got an  
11 objection, and the record, of course, will bear this  
12 out, but I'm not sure that Mr. Woodsmall's recounting  
13 of Mr. Davis' testimony is entirely accurate. And  
14 secondly, if we're going to get into reforecast  
15 specifics, we may need to go into HC.

16 MR. WOODSMALL: That's my only question.  
17 And as Mr. Zobrist says, the record will prove me  
18 right or wrong. To the extent that the Iatan 2  
19 schedule is taken as a given or an assumption, would  
20 he still believe it to be under challenge? That's my  
21 question.

22 JUDGE STEARLEY: Okay. You can answer  
23 that question, Mr. Sherman.

24 THE WITNESS: As I believe I stated in  
25 my deposition, there are a lot of weekends to make up

1 schedule issues between now and completion of  
2 Iatan 2, so I -- I fully believe that at a price they  
3 can achieve the date.

4 BY MR. WOODSMALL:

5 Q. But if it was under challenge previously  
6 and it's taken as a given here, you would think it  
7 would be under challenge still?

8 MR. ZOBRIST: Judge, calls for  
9 speculation at this point.

10 MR. WOODSMALL: I'm asking for his  
11 opinion.

12 MR. ZOBRIST: I know. It calls for  
13 speculation.

14 MR. WOODSMALL: His opinion as to  
15 whether a schedule is under challenge? It's an  
16 opinion. He's qualified to provide an opinion. It's  
17 not speculation.

18 MR. ZOBRIST: Not on the basis of the  
19 record that's been established here given  
20 Mr. Sherman's particular role in this project.

21 MR. WOODSMALL: So now we're questioning  
22 Mr. Sherman's expertise?

23 JUDGE STEARLEY: I will overrule.  
24 Mr. Sherman's qualifications have been presented and  
25 the Commission can consider the weight of his

1 testimony in relation to his qualifications as  
2 presented to the Commission.

3 MR. ZOBRIST: Just for the record, I'm  
4 not at all attacking Mr. Sherman's qualifications.

5 JUDGE STEARLEY: I understand,  
6 Mr. Zobrist.

7 MR. ZOBRIST: Okay. Thank you, Judge.

8 JUDGE STEARLEY: You may offer your  
9 opinion, Mr. Sherman.

10 THE WITNESS: Would you please repeat  
11 the question, sir?

12 BY MR. WOODSMALL:

13 Q. If the Iatan 2 schedule previously,  
14 given your quote, was under challenge and that same  
15 schedule is taken as a given or an assumption during  
16 the reforecast, would you believe that that Iatan 2  
17 schedule is still under challenge?

18 A. I believe the -- if I can comment on  
19 your question, it's -- the completion date must be  
20 taken as a given. There's more than one way to get  
21 to the targeted completion date, and with regard to  
22 such things as overtime or double shifts, working  
23 weekends, there are a lot of ways they can get to  
24 June 1 of 2010.

25 Q. Okay. When you say --

1           A.       It may come at a price, but it can be  
2 done. I'm confident they can do it.

3           Q.       When you stated previously that the  
4 schedule was under challenge, were you referring to  
5 the June 1, 2010 date?

6           A.       I think I was referring to the budget as  
7 much as I was to the schedule. But yes, I was  
8 referring to the June 1 date.

9           Q.       Okay. And to the extent that that  
10 June 1 date was under challenge before, do you  
11 believe that it is under challenge currently just to  
12 the same extent? Yes or no question.

13          A.       I don't know the answer.

14                   MR. WOODSMALL: Okay. No further  
15 questions.

16                   JUDGE STEARLEY: Thank you,  
17 Mr. Woodsmall. Examination by Black Hills.

18                   MR. DeFORD: No questions.

19                   JUDGE STEARLEY: GPE.

20                   MR. ZOBRIST: Just a couple questions,  
21 Judge.

22 CROSS-EXAMINATION BY MR. ZOBRIST:

23           Q.       Mr. Sherman, have you ever seen a  
24 reforecast that was done by Mr. Price?

25           A.       No.

1           Q.       Now, in the meeting that you attended in  
2   February, I believe it was February 14th, 2008, did  
3   KCPL advise you that the numbers that they were  
4   dealing with as part of the reforecast process were  
5   not firm?

6           A.       I don't recall such a statement being  
7   made one way or the other.

8           Q.       Well, did anyone at KCPL say that the  
9   reforecast process was still ongoing at that time?

10          A.       It was stated, yes, that the process was  
11   underway, and there was a set of questions and  
12   answers about when it was expected to be completed.

13          Q.       And there was an effort underway to  
14   validate these numbers through the collection of  
15   additional data and support; is that correct?

16          A.       I don't believe that was specifically  
17   stated, sir.

18          Q.       At the bottom of the exhibit that  
19   Mr. Williams showed you, Exhibit 146 --

20          A.       Or at least I don't recall if it was.

21          Q.       All right. But do you have any  
22   disagreement with the final bullet at the bottom of  
23   Exhibit 146 that states that, "KCPL indicated a new  
24   project is underway to validate these numbers through  
25   collection of additional data support"?

1           A.       I believe -- I would agree with that  
2 statement.

3           Q.       Thank you. And in your experience,  
4 would you release reforecast numbers to the public  
5 that had not been fully vetted and analyzed?

6           A.       I haven't been involved, sir, with the  
7 public disclosure issue, so I can't answer the  
8 question.

9           Q.       Okay. Would you recommend to your  
10 senior management that it release reforecast numbers  
11 that had not been fully vetted and analyzed?

12                   MR. WOODSMALL: I object, your Honor.  
13 As he said, he's not involved in public disclosure  
14 laws. What he may do under a situation where he's  
15 not an expert in public disclosure laws is entirely  
16 speculative.

17                   MR. ZOBRIST: That was not my question,  
18 Judge.

19                   JUDGE STEARLEY: I didn't believe I  
20 understood it to be that way either. Would you  
21 please repeat your question, Mr. Zobrist?

22                   MR. ZOBRIST: Yes.

23 BY MR. ZOBRIST:

24           Q.       My question, Mr. Sherman, was would you  
25 recommend to your senior management to release



1 reforecast numbers that had not been fully vetted and  
2 analyzed?

3 MR. WOODSMALL: He's talking about the  
4 release of information. He said he's not familiar  
5 with public disclosure laws, and he's being asked  
6 what -- if he would recommend release, public  
7 disclosure. Maybe there's a disconnect between  
8 "release" and "public disclosure," but ...

9 JUDGE STEARLEY: I'm going to overrule.  
10 I believe you can answer that, Mr. Sherman, to the  
11 extent that you have an answer. If you don't know,  
12 you can simply say you don't know.

13 THE WITNESS: I don't know, sir.

14 BY MR. ZOBRIST:

15 Q. Have you ever made a recommendation to  
16 any of your members of senior management of any  
17 company that you worked for that they release  
18 information relating to a forecast, numbers that had  
19 not been fully vetted and analyzed?

20 A. No.

21 MR. ZOBRIST: Thank you. That's all I  
22 have, Judge.

23 JUDGE STEARLEY: All right. Thank  
24 you --

25 MR. ZOBRIST: Oh, I'm sorry. I have one

1 more, just one more short series.

2 JUDGE STEARLEY: All right.

3 BY MR. ZOBRIST:

4 Q. Am I correct that KCPL informed you that  
5 they had retained Corn Ferry, a national recruiting  
6 firm, to locate a person to lead the Iatan  
7 construction efforts after Mr. Price resigned?

8 A. That is correct.

9 Q. Okay. And are you aware that this week,  
10 or maybe it was even late last week, that KCPL  
11 announced that Carl Churchman had been appointed to  
12 be the new vice president of construction?

13 A. I was forwarded an e-mail or a press  
14 release this week which I have not had time to study  
15 in detail.

16 Q. Do you know Mr. Churchman, by any  
17 chance?

18 A. I do not.

19 MR. ZOBRIST: Nothing further, Judge.

20 JUDGE STEARLEY: Thank you, Mr. Zobrist.  
21 Questions from the Bench. Commissioner Murray.

22 COMMISSIONER MURRAY: No questions.

23 JUDGE STEARLEY: Examination by Aquila.

24 MS. PARSONS: I have no questions.

25 JUDGE STEARLEY: Well, Mr. Sherman, you

1     may step down at this time. I thank you for your  
2     testimony. I will not finally release you as a  
3     witness at this time in case the Commission might  
4     have additional questions for you in the future, but  
5     as for today's schedule, you certainly may leave and  
6     go about your business.

7                     THE WITNESS: Thank you, your Honor.

8                     JUDGE STEARLEY: I believe we have  
9     Mr. Schallenberg next up. At this point this would  
10    be a good time for us all to take a short break. And  
11    Mr. Mills, let me inquire before we go. Is  
12    Mr. Trippensee available today?

13                    MR. MILLS: I believe I see him back  
14    there chomping at the bit.

15                    JUDGE STEARLEY: All right. Well,  
16    depending on how long we go with Mr. Schallenberg, I  
17    hope we can reach him as well. And depending on how  
18    long all of that goes, we may yet reach Mr. Zabors.  
19    So we'll be back in about ten to 15 minutes.

20                    (A RECESS WAS TAKEN.)

21                    JUDGE STEARLEY: We are back on the  
22    record, and we are picking up with the examination of  
23    Mr. Schallenberg. Mr. Schallenberg, you've already  
24    taken the stand. I know you've been before us a  
25    couple of times already in this hearing, and I remind

1     you that you're still under oath.

2                     THE WITNESS:   Yes.

3                     JUDGE STEARLEY:   And Mr. Dottheim, you

4     may proceed.

5                     MR. DOTTHEIM:   Staff offers

6     Mr. Schallenberg.

7                     JUDGE STEARLEY:   All right.   And

8     examination again with you, Mr. Mills.

9                     MR. MILLS:   No questions.

10                    JUDGE STEARLEY:   AgProcessing,

11    Mr. Woodsmall.

12                    MR. WOODSMALL:   No questions.

13                    JUDGE STEARLEY:   Black Hills.

14                    MR. DeFORD:   No questions.

15                    JUDGE STEARLEY:   Aquila.

16                    MS. PARSONS:   No questions.

17                    JUDGE STEARLEY:   Great Plains/KCP&L.

18                    MR. ZOBRIST:   No questions.

19                    JUDGE STEARLEY:   Questions from the

20    Bench.   Commissioner Murray.

21                    COMMISSIONER MURRAY:   No questions.

22                    JUDGE STEARLEY:   Back to you,

23    Mr. Dottheim.

24                    MR. DOTTHEIM:   No questions.

25                    JUDGE STEARLEY:   Okay.   I think we have

1 broken the record we had earlier in this case for a  
2 fast witness testimony. Mr. Schallenberg, I  
3 certainly appreciate you taking time to come down  
4 before us this evening. You may step down.

5 THE WITNESS: Thank you.

6 JUDGE STEARLEY: And I will not finally  
7 excuse you just in case the Commission should have  
8 some reason to recall you.

9 And Mr. Dottheim, I do believe this is  
10 Mr. Schallenberg's last scheduled appearance. Do you  
11 intend to offer his testimony into evidence at this  
12 time?

13 MR. DOTTHEIM: Yes, at this time I'd  
14 like to offer Mr. Schallenberg's testimony. I think  
15 it's Exhibit 100.

16 MR. WOODSMALL: Just for clarification,  
17 does that include the --

18 MR. DOTTHEIM: That includes -- that  
19 includes the report, yes.

20 MR. WOODSMALL: Thank you.

21 JUDGE STEARLEY: And are there any  
22 objections to the admission of Exhibit 100 including  
23 the attached report?

24 MR. ZOBRIST: Yes, Judge. And I believe  
25 there are actually two reports, and Great Plains and

1 KCPL do not have any objection to the second report  
2 which I think is a management report related to  
3 Aquila. We have no objection to his sworn testimony.

4               We do object to the 80-page anonymous  
5 Staff report which does not contain a statement of  
6 who its authors are. We believe it's a blend of  
7 opinions of experts in accounting economics, business  
8 management, law, customer service and other  
9 disciplines and professions. We believe that it is  
10 an attempt to prevent other potential witnesses from  
11 Staff who would normally testify in merger cases from  
12 having their prefiled testimony presented to the  
13 Commission.

14               It contains numerous legal arguments.  
15 For example, there are citations which I believe  
16 Mr. Schallenberg discussed briefly in one of my  
17 cross-examinations of not only Commission cases,  
18 Supreme Court cases, the first drafts of which were  
19 authored by attorneys here at the Commission.

20               These are not the types of materials or  
21 sources upon which an expert in at least auditing and  
22 accounting like Mr. Schallenberg would normally  
23 reasonably rely upon under Section 490.065.3.

24               We also think that it contains numerous  
25 examples of anonymous hearsay and other third-party

1 arguments and opinions, and we believe it violates  
2 either specifically or at least in spirit the  
3 Commission's rules on prefiled testimony found in  
4 4 Code of State Regulations 240-2.130. Specifically,  
5 it's not under oath, its authors are not identified  
6 and some other technical requirements.

7 JUDGE STEARLEY: Mr. Dottheim, that's a  
8 long list to respond to.

9 MR. DOTTHEIM: Well -- and Mr. Zobrist,  
10 is that -- the attachment you're objecting to, is  
11 that the Staff report, is that the numbered pages 1  
12 to 80 or so?

13 MR. ZOBRIST: Yes, sir.

14 MR. DOTTHEIM: Okay. Number of items.  
15 I think the Commission issued an order on -- on  
16 June 19th directing that -- that objections to  
17 prefiled testimony be made and filed with the  
18 Commission by I think it was either November 18th or  
19 November 28th. Great Plains, Kansas City Power &  
20 Light, Aquila made no objection to the prefiled  
21 testimony of Mr. Schallenberg. The Joint Applicants,  
22 or if it's only Great Plains or Kansas City Power &  
23 Light, could have made the objection at that time as  
24 opposed to making that objection at this point.

25 On the contrary, I don't believe it is

1 in violation of any Commission rule or out of the  
2 ordinary. In fact, a review of the testimony filed  
3 by the company witnesses will find, for example, in  
4 the testimony of -- of Mr. Giles, for -- for example,  
5 citations to -- to a -- to a statute. And Mr. --  
6 Mr. Giles is not an attorney, and I think upon  
7 cross-examination, Mr. Giles indicated that he had  
8 obtained the references to the -- to the statute from  
9 KCPL General Counsel, Mr. William -- Mr. William  
10 Riggins.

11 As far as the -- the nature of the  
12 report form, the -- the report form is a -- is a form  
13 that the Staff has gone to which the, frankly, Staff  
14 sought at the request of the -- of the Commission  
15 to -- to cut down on the number of witnesses in -- in  
16 cases and to make the testimony more compact and to  
17 make the testimony more comprehensible.

18 Testimony has been filed -- or testimony  
19 was formed and a narrative report has been filed in  
20 a -- in a number of -- in a number of cases, in  
21 particular rate cases, in AmerenUE rate cases, but I  
22 shouldn't just mention AmerenUE rate cases. It was  
23 filed in Kansas City Power & Light's most recent rate  
24 case, ER-2007-0291. And Kansas City Power & Light  
25 found no occasion to find that the report form that



1 was filed by the Staff, Mr. Mark Oligschlaeger who  
2 filed the Staff's direct case in the form of a Staff  
3 report, Kansas City Power & Light did not find that  
4 report form to be -- to be objectionable.

5                   The analysis that -- that was performed,  
6 I think Mr. Schallenberg testified, and if -- if  
7 necessary, we can put Mr. Schallenberg on the stand.  
8 I'm quite sure the Bench will remember. I think it  
9 was yesterday that we -- that we had Mr. Cline take  
10 the stand because the Office of Public Counsel  
11 challenged the -- the testimony of -- of -- of  
12 Mr. Cline that -- that it was not prepared by him,  
13 that he could not attest to it. And the Bench  
14 permitted Mr. Zobrist to put Mr. Cline back on the  
15 stand and conduct a direct. And Mr. Cline's  
16 testimony was -- was received into evidence as being  
17 written and filed in a -- in a -- in a manner that  
18 was customary.

19                   And I think -- again, I don't think I'm  
20 repeating myself, but I think Mr. Schallenberg  
21 previously testified that -- that what analysis was  
22 performed by other members of the Staff was performed  
23 at his direction, was -- was reviewed by him and --  
24 and was adopted by him.

25                   JUDGE STEARLEY: All right.

1 Mr. Zobrist, do you have anything before I rule?

2 MR. ZOBRIST: No, your Honor.

3 MR. WOODSMALL: Your Honor, by way of  
4 concurring with Staff's response, I would note that  
5 this is all just an attempt to elevate form over  
6 substance. The Commission rule issue, as Staff said,  
7 is a non sequitur. This has been done in previous  
8 cases, even without objection by KCP&L. It's done  
9 for the convenience of the Commission.

10 The fact that it's authored by -- by  
11 many people with the input of many people is a  
12 nonissue. Mr. Schallenberg on the stand adopted the  
13 entirety of the document. He was available for  
14 cross-examination unlike Mr. Cline yesterday who was  
15 completely incapable of answering some questions. He  
16 has answered every question posed to him, little as  
17 they were.

18 Then Mr. Zobrist made a hearsay  
19 objection. I believe it's incumbent upon him to  
20 plead that objection with specificity. To try to  
21 keep out an entire document on hearsay should not be  
22 countenance. If he wants to bring up individual  
23 instances of hearsay, we should address those.

24 I would note the technical rules of  
25 evidence including the hearsay objection do not apply

1 to the Commission, so that should not be -- should  
2 not matter.

3 JUDGE STEARLEY: Well, the technical  
4 rules don't apply. Hearsay is still not substantial  
5 or competent that the Commission can rely upon. I do  
6 believe throughout this proceeding due to the way  
7 we've taken testimony offered at the conclusion of  
8 the live testimony and the prefiled testimony, it's  
9 left open a number of avenues for people to raise  
10 objections beyond that scheduling order,  
11 Mr. Dottheim.

12 And I believe we've also taken --  
13 there's been numerous examples given -- testimony  
14 into the record where various aspects of reports and  
15 attached records have been challenged.

16 I am going to overrule the objection and  
17 allow the admission of the testimony. I do believe  
18 the parties' examinations of the witnesses with  
19 regard to the testimony and the contents thereof, the  
20 Commission can weigh as to the weight and credibility  
21 of the testimony in the attached report.

22 And with that, if there -- there are no  
23 other objections, it will be received and admitted  
24 into evidence.

25 (EXHIBIT NO. 100 WAS RECEIVED INTO

1 EVIDENCE AND MADE A PART OF THE RECORD.)

2 JUDGE STEARLEY: And we'll proceed with  
3 our next witness.

4 MR. MILLS: Judge, I believe that's me,  
5 and I'll call Russ Trippensee to the stand.

6 (The witness was sworn.)

7 JUDGE STEARLEY: Thank you. You may be  
8 seated. And Mr. Mills, you may proceed with your  
9 examination.

10 MR. MILLS: Thank you, Judge. According  
11 to -- well, I should -- I was about to say my notes,  
12 but according to Judge Dippell's notes,  
13 Mr. Trippensee's testimony has been marked as  
14 Exhibit 201, and I've provided a copy to the court  
15 reporter.

16 (EXHIBIT NO. 201 WAS MARKED FOR  
17 IDENTIFICATION BY THE COURT REPORTER.)

18 DIRECT EXAMINATION BY MR. MILLS:

19 Q. Mr. Trippensee, did you cause -- well,  
20 first of all, could you please state your name for  
21 the record.

22 A. Russell Trippensee.

23 Q. And did you cause to be filed in this  
24 case rebuttal testimony on or about October 12, 2007?

25 A. Yes, I did.

1           Q.       And does that testimony begin with a  
2 description of your qualifications?

3           A.       Yes, it does.

4           Q.       Are the answers -- the questions and  
5 answers as posed therein true and correct to the best  
6 of your knowledge and belief?

7           A.       Yes, they are.

8           Q.       And do you have any corrections to that  
9 testimony?

10          A.       I only have one correction. It's in the  
11 header on the first page. It's labeled "Direct  
12 Testimony." That should be "Rebuttal Testimony."  
13 The cover page and the headers on the subsequent  
14 pages do indicate that it's rebuttal.

15          Q.       Any other corrections?

16          A.       No, sir.

17          Q.       With that correction, are the answers  
18 contained therein true and correct?

19          A.       Yes, they are.

20                   MR. MILLS: With that, I will tender  
21 Mr. Trippensee for cross-examination, and since this  
22 is his only appearance, I will offer the testimony at  
23 the close of his cross-examination.

24                   JUDGE STEARLEY: All right. Thank you,  
25 Mr. Mills. Cross-examination by Staff.

1 MR. DOTTHEIM: No questions.

2 JUDGE STEARLEY: Okay. AgProcessing.

3 MR. WOODSMALL: Other than to note

4 Mr. Trippensee will be part of the offer of proof

5 tomorrow, no questions.

6 JUDGE STEARLEY: All right. Thank you,

7 Mr. Woodsmall. Black Hills.

8 MR. DeFORD: No questions.

9 JUDGE STEARLEY: Aquila.

10 MS. PARSONS: No questions.

11 JUDGE STEARLEY: Great Plains/KCPL.

12 MR. ZOBRIST: No questions, your Honor.

13 JUDGE STEARLEY: Questions from the

14 Bench. Commissioner Murray.

15 COMMISSIONER MURRAY: No questions,

16 thank you.

17 JUDGE STEARLEY: No recross. Any

18 redirect, Mr. Mills?

19 MR. MILLS: No redirect, but at this

20 time I would like to offer Exhibit 201.

21 JUDGE STEARLEY: All right. Are there

22 any objections to the offering of Exhibit 201?

23 (NO RESPONSE.)

24 JUDGE STEARLEY: Hearing none, it shall

25 be received and admitted into evidence.

1                   (EXHIBIT NO. 201 WAS RECEIVED INTO  
2 EVIDENCE AND MADE A PART OF THE RECORD.)

3                   JUDGE STEARLEY: And Mr. Trippensee, you  
4 are also one of our record witnesses, and you may  
5 step down at this time. However, I will not finally  
6 excuse you just in case the Commission should want to  
7 recall you for further questions.

8                   The threat of marching on into the  
9 evening has sped things up, I see. Just kidding, of  
10 course. And I believe we have next Mr. Zabors to  
11 come back and testify for additional testimony on  
12 transaction cost recovery.

13                  MR. FISCHER: Yes. Great Plains would  
14 call Mr. Robert Zabors back.

15                  JUDGE STEARLEY: Mr. Zabors, thank you  
16 for returning. I remind you that you are still under  
17 oath. And Mr. Williams, you may proceed with your  
18 examination.

19                  MR. WILLIAMS: Judge, may I approach the  
20 witness?

21                  JUDGE STEARLEY: You may.

22 CROSS-EXAMINATION BY MR. WILLIAMS:

23                  Q. Good evening, Mr. Zabors.

24                  A. Good evening.

25                  Q. My name is Nathan Williams. What I have

1 here is what's been marked for identification and  
2 already admitted into the record as Exhibit 128.  
3 (Mr. Williams handed the witness the document.)

4 A. Okay.

5 Q. Could you please take a look at that?

6 A. (Witness complied.)

7 Q. Have you had an opportunity to review  
8 what's been marked as Exhibit 128?

9 A. Yes, I have.

10 Q. And what is Exhibit 128?

11 A. They are invoices for consulting work  
12 that Bridge Strategy performed in the context of this  
13 transaction from February 14th through -- of 2007  
14 through March 6th, 2008.

15 Q. And are those --

16 A. Those are the dates of the invoices that  
17 you gave me.

18 Q. And were those invoices actually  
19 submitted to either Kansas City Power & Light Company  
20 or Great Plains Energy by Bridge Strategy Group?

21 A. Yes, they were.

22 Q. Do you know which company they were  
23 submitted to?

24 A. They were submitted to the individual on  
25 the upper left-hand corner. You can see how that



1 moves from John Wallace to Todd Kobayashi, both of  
2 whom are addressed from the context of GPE. And  
3 finally, those that were -- I believe they're all to  
4 either Todd Kobayashi or John Wallace.

5 Q. And those are copies of actual invoices  
6 that were submitted to Great Plains Energy by Bridge  
7 Strategy Group?

8 A. Yes, they are.

9 Q. Would you take a look at the first two  
10 invoices, the February 14th, 2007 -- actually, there  
11 are two with that date: Invoice No. GPE-0059 and  
12 GPE-0060?

13 A. Yes.

14 Q. Do those invoices reflect the breakdown  
15 between transaction and transition costs?

16 A. I don't believe they do. It's not  
17 printed on the invoice. Those are for work that was  
18 done before the announcement of the transaction.

19 Q. So would those be transaction or  
20 transition costs?

21 A. That assignment is one that is  
22 ultimately that of the company, but in terms of the  
23 costs themselves, they were in my belief supporting  
24 the transaction, supporting the closure of the work  
25 to support the -- the announcement of the

1 transaction.

2 Q. Would you classify them as transaction  
3 costs or transition costs?

4 A. Again, not being an accountant and not  
5 knowing the full implications of those on that side  
6 of the equation, they were done -- it represents work  
7 that was done before the announcement of the  
8 transaction. Therefore, I would assume that they  
9 would be transaction costs.

10 Q. Well, if you look at the subsequent  
11 invoices such as, for example, GPE-0061 which is the  
12 following invoice dated March 12th, 2007 --

13 A. Right.

14 Q. -- that does show a breakdown between  
15 transition costs and transaction costs, does it not?

16 A. That is correct. And that is subsequent  
17 to the announcement of the -- of the transaction.

18 Q. And who would have broken those costs  
19 down between transaction costs and transition costs?

20 A. That would have been -- the Bridge team  
21 would have broken those apart based on guidelines  
22 received from the accounting team at GPE and KCPL.

23 Q. Do you know what those guidelines were?

24 A. The transaction costs were, as it's  
25 stated in my supplemental direct testimony regarding

1 activities, third-party activities, integrated --  
2 related to the -- any activity having to do with  
3 closing the transaction and transition costs  
4 activities related to integration of the -- of the  
5 companies in completing that to get to a steady state  
6 which is, in other words, the ongoing operation of  
7 the combined entity.

8 Q. And whenever you're talking about  
9 integrating companies to a combined entity, are you  
10 talking about integrating the operations --

11 A. Yes.

12 Q. -- of Kansas City Power & Light Company  
13 and Aquila?

14 A. I did for the clarification, yes.

15 Q. And do all of the subsequent invoices  
16 show a breakdown between transaction costs and  
17 transition costs?

18 A. Yes, they do.

19 Q. Are transaction costs readily  
20 distinguishable from transition costs?

21 A. Can you clarify in terms of "readily  
22 distinguishable"?

23 Q. Is it easy to tell one from the other?

24 A. Relating to these invoices or in  
25 general?

1           Q.       In general.

2           A.       From my perspective, our role was to --  
3   in the generic that you've -- generally you've asked  
4   across the process, to make sure that teams were  
5   aware of the distinction as it's stated in my  
6   supplemental direct testimony and making sure that  
7   they were aware of those. Specifically to the  
8   invoices, I can address that separately if you'd  
9   like.

10          Q.       Please do.

11          A.       Related to the transaction and  
12   transition costs for the consulting team, it was more  
13   clear activities, for example, relating to testimony  
14   such as this, testimony preparation, were -- and  
15   testimony itself, are seen as transaction costs.

16                   Those that are related to process  
17   design, for example, and -- and some of those  
18   other -- team facilitation regarding integrated  
19   operations, we'll call transition costs.

20          Q.       Haven't -- haven't Great Plains Energy  
21   and Kansas City Power & Light Company in this case  
22   classified 13.6 million, 9.9 million Missouri  
23   jurisdictional and severance of costs from being  
24   transaction costs to being transition costs?

25          A.       Yes, they have, in --

1 Q. Did Bridge --

2 A. In Terry Bassham's supplemental  
3 testimony -- additional supplemental testimony.

4 Q. Did Bridge Strategy Group have any role  
5 in that reclassification?

6 A. No. It's not our -- our role to assign  
7 that. What we did do is to make sure that discussion  
8 occurred in terms of the context of the process. And  
9 what I mean by that is, as that decision was being  
10 made, the rationale for that decision was vetted in  
11 front of the integration planning and leadership  
12 committee, leadership team and other -- other groups  
13 as appropriate. But the decision to classify those  
14 are -- are those of the company's.

15 And I believe the costs themselves  
16 are -- you're talking about one specific line item  
17 that was on my -- an attachment to my direct  
18 testimony, RTZ-10, having to do with the head count.

19 Q. Well, I believe that it's RTZ-10 that  
20 was filed August 8, 2007, is a supplemental direct  
21 testimony --

22 A. Yes.

23 Q. -- is that not correct?

24 A. Yes.

25 Q. And schedule RTZ-10, is that something

1     that you prepared?

2             A.       Yes, I was involved in preparing that.

3             Q.       And did you agree with the  
4     classification of the 13.6 million as shown on that  
5     schedule at that time?

6             A.       Again, it's not -- I don't have the  
7     accounting basis to agree or disagree, but in terms  
8     of our role in facilitating the process to ensure  
9     that there was adequate discussion of that decision,  
10    I recorded that in the context of that -- of that  
11    discussion.

12                    So for that definition in particular  
13    when you're talking about the GPE share of severance  
14    line, that one was discussed extensively at different  
15    team meetings. And this entire exhibit was -- was  
16    discussed many times at a variety of different team  
17    meetings.

18            Q.       So are you saying that the information  
19    that's on schedule RTZ-10 is something that was  
20    arrived at as a group consensus as opposed to  
21    something that Bridge Strategy Group created on its  
22    own?

23            A.       Yeah, it's not our role to assign  
24    something to transaction or transition costs of this  
25    nature. But in terms of the nature of the discussion

1 around the share of severance, I think there was  
2 extensive discussion around classification of that.

3 In addition to the teams themselves,  
4 there are subject matter experts within GPE and KCPL  
5 with Lori Wright, in particular, who I know who did  
6 an extensive research on the classification of these  
7 costs, and they were involved in the reclassification  
8 of those costs as well.

9 Q. Are the total costs that Bridge Strategy  
10 Group has charged to, I guess, Great Plains Energy  
11 for transaction costs approximately \$4 million at  
12 this time?

13 A. I believe someone's testified to that.  
14 I haven't added up those on my --

15 Q. Well, I'm not asking you if that's a  
16 precise number. Is that in the ball park of  
17 4 million?

18 A. That could be, that sounds right.

19 Q. And would --

20 A. Including expenses.

21 THE COURT REPORTER: Including what?

22 THE WITNESS: Expenses.

23 BY MR. WILLIAMS:

24 Q. And the transition costs that Bridge  
25 Strategy Group has charged to Great Plains Energy,

1     would that be in the neighborhood of \$5 million at  
2     this point in time?

3           A.       I heard someone testify to that earlier,  
4     so I would have no reason to -- to think that's  
5     incorrect.

6           Q.       Well, if we added up the invoices, would  
7     that give us an approximate number --

8           A.       Again, I have not done that myself, but  
9     again, if the company witness said that's the case, I  
10    have no reason to disagree. And I think in my  
11    earlier testimony, I said it was probably in that  
12    range.

13          Q.       Referring to Exhibit 128, though, if  
14    those invoices were added, would that give an  
15    approximate value of the charges that Bridge Strategy  
16    Group has made to Great Plains Energy for transition  
17    costs and transaction costs?

18          A.       I believe so. There have been  
19    subsequent invoices, but -- or there will be, I  
20    should say. But for this moment, yes.

21          Q.       How was Bridge Strategy Group chosen to  
22    provide services in connection with Great Plains  
23    Energy's acquisition of Aquila?

24          A.       In terms of the -- we have worked with  
25    Great Plains Energy in the past and that came up in



1 my earlier testimony as well, our involvement with  
2 the comprehensive energy plan.

3 We helped facilitate discussions across  
4 the team and more broadly across employees and the  
5 community regarding the issues. And it helped  
6 position us for being a trusted partner of the  
7 company in terms of being able to facilitate a  
8 process such as this.

9 Q. Did Bridge Strategy Group respond to a  
10 bid?

11 A. I don't believe there was a -- I wasn't  
12 aware of a bidding process. I'm not sure if other  
13 companies were evaluated.

14 Q. Who approached who in terms of the work  
15 that Bridge Strategy Group has done? Was it a case  
16 of Great Plains Energy approached Bridge Strategy  
17 Group, or did Bridge Strategy Group approach Great  
18 Plains Energy?

19 A. Again, we worked together in the past,  
20 so it came up -- we were contacted by, I believe Todd  
21 Kobayashi or Terry Bassham, I believe in the 2007 --  
22 2006 time frame after the company had received some  
23 materials, I believe, from Aquila starting this  
24 process.

25 MR. WILLIAMS: Judge, may I approach

1     again?

2                     JUDGE STEARLEY:   You may.

3     BY MR. WILLIAMS:

4             Q.       I'm going to hand you what's been marked  
5     as Exhibit 127.

6                     MR. MILLS:   I'm sorry.   Which one?

7                     MR. WILLIAMS:   127.

8     BY MR. WILLIAMS:

9             Q.       Would you take a look at Exhibit 127,  
10    please?

11            A.       I have.

12            Q.       Do you recognize it?

13            A.       Yes, I do.

14            Q.       And what is Exhibit 127?

15            A.       It's a letter dated January 4th, 2007 to  
16    John Marshall from myself.

17            Q.       Is this the engagement letter upon which  
18    Bridge Strategy Group has provided services to -- I  
19    don't know if it's Great Plains Energy or Kansas City  
20    Power & Light Company, but in connection with the  
21    acquisition of Aquila by Great Plains Energy?

22            A.       This letter outlines the integration  
23    planning activities, as you can see in the text of  
24    the letter.

25            Q.       Is this a letter that you did send to --

1 it looks like it's addressed to John Marshall?

2 A. John Marshall, yes.

3 Q. And does it set out the terms upon which  
4 Bridge Strategy Group has been engaged in the work  
5 it's performed regarding transaction and transition  
6 costs in connection with Great Plains Energy's  
7 acquisition of Aquila?

8 A. Regarding the integration planning  
9 effort, yes.

10 Q. Is there any other agreement, or is this  
11 letter the only document that reflects the agreement  
12 between -- or upon which Bridge Strategy Group has  
13 provided the integration services?

14 A. For integration planning this is the  
15 letter that is governing this time period.

16 Q. Did you sign the letter?

17 A. Yes, I did. I think you have an  
18 electronic copy of it, perhaps, but I have signed it.

19 Q. So it was submitted both electronically  
20 and physical hard copy?

21 A. Yes, it was.

22 Q. Did you receive from --

23 A. We do the same with our invoices as  
24 well.

25 THE COURT REPORTER: I didn't hear you.

1 BY MR. WILLIAMS:

2 Q. I'm sorry?

3 A. We do the same with our invoices as  
4 well, hard copy and electronic copy.

5 Q. Did you receive anything in writing from  
6 either Kansas City Power & Light Company or Great  
7 Plains Energy accepting the terms that you'd offered  
8 to provide services? And when I say "you," I'm  
9 referring to Bridge Strategy Group.

10 A. I don't believe that I did, and that's  
11 not our standard practice for most clients to do  
12 that. Receiving payment for our invoices is -- for  
13 our -- our company has been good enough.

14 Q. You indicated that you -- that Bridge  
15 Strategy Group had an existing relationship with, I  
16 believe, Great Plains Energy before this engagement  
17 that's, I guess, memorialized in the January 4, 2007  
18 letter that's been marked as Exhibit 127, did you  
19 not?

20 A. We've had previous relationships with  
21 the company, yes.

22 Q. And what was the nature of those  
23 engagements?

24 A. You're referring to those that cover the  
25 invoices in Exhibit 128, the due diligence effort?

1           Q.       No. I'm just asking what kind of work  
2 Bridge Strategy Group has done for Great Plains  
3 Energy prior to January 4th of 2007.

4           A.       We've -- well, prior to January 4th,  
5 2007, we were involved in the due diligence effort.  
6 And in some of the documents -- I'm not sure which  
7 exhibits they are -- but we helped facilitate what we  
8 called in our testimony a bottom-up planning process  
9 where we facilitated discussion among the officers of  
10 the company in preparing a bid for Aquila and  
11 preparing the -- the offer and the final announcement  
12 in terms of what the integrated company could look  
13 like, what the potential synergies might be.

14                   And again, we facilitated that process  
15 across the -- the officers of the company to  
16 understand the order of magnitude of the  
17 possibilities of the combination.

18           Q.       And who engaged the services of Bridge  
19 Strategy Group, Kansas City Power & Light Company or  
20 Great Plains Energy?

21           A.       As I said earlier, Todd Kobayashi and  
22 Terry Bassham for the due diligence work, and that  
23 would have been in the context of Great Plains  
24 Energy.

25           Q.       In the context of the integration work,

1 who would have -- you would have been providing  
2 services for Kansas City Power & Light Company or  
3 Great Plains Energy?

4 A. Great Plains Energy is what it says in  
5 the invoices. And in the context of this, I believe  
6 it would be for Great Plains Energy as the acquiring  
7 company.

8 Q. But the letter you received on  
9 January 4th, 2000 -- or that you sent on January 4th  
10 of 2007 that's been marked as Exhibit 127 was  
11 addressed to John Marshall, and it also indicates  
12 it's Kansas City Power & Light Company, does it not?

13 A. That's John's title, as I believe that  
14 he is the senior vice president of delivery for  
15 Kansas City Power & Light, so the letter is addressed  
16 to him with his title on it. And I believe he  
17 addressed some of that in his testimony as well.

18 Q. Has Bridge Strategy Group ever provided  
19 integration services to any utility that was  
20 proposing to merge its operations with another  
21 utility such as that that you're providing the  
22 services for in connection with Great Plains Energy's  
23 acquisition of Aquila?

24 A. In terms of the nature of the work, as I  
25 said earlier, it's facilitating discussion and

1 planning, and that's something we've done for a  
2 number of utilities and other companies as well.

3 So in terms of the nature of the work  
4 itself, the characteristics of that being business  
5 planning analysis is something we do quite often.

6 Q. Have you ever had occasion to perform  
7 those services in connection with the integration of  
8 the operations of two separate utilities before this  
9 engagement?

10 A. As individuals, people have. And  
11 earlier in Bridge, Bridge's time frame, we did some  
12 work after the integration of acquisition of YCorp of  
13 Wisconsin Energy. We did a five-year planning effort  
14 post acquisition. So it is similar to integration  
15 planning from that perspective.

16 Q. When was that performed?

17 A. 2000, 2001, something like that.

18 Q. And did you personally participate in  
19 that?

20 A. Yes, I did. I've worked with utilities  
21 since 1988, so it took me a while to think back  
22 there.

23 Q. Do you have an expectation of the total  
24 of Bridge Strategy Group's charges in connection with  
25 Great Plains Energy's acquisition of Aquila?

1           A.       We stated it in the context of this  
2     January 4th, 2007 letter, so that's -- that's my  
3     expectation.

4           Q.       Do you know if Mr. Marshall, to whom you  
5     addressed the January 4th, 2007 letter that's been  
6     marked as Exhibit 127, is an officer of Great Plains  
7     Energy?

8           A.       I don't believe he is an officer of  
9     Great Plains Energy. I think he addressed that in  
10    his testimony on the stand as well. But he's acting  
11    in a capacity for Great Plains Energy regarding  
12    merger integration.

13          Q.       Why is it your understanding -- or  
14    what's -- what's the basis for your understanding  
15    that Mr. Marshall's acting on behalf of Great Plains  
16    Energy with regard to integration planning?

17          A.       I thought I heard him say that in this  
18    room.

19          Q.       Is there any other written document  
20    regarding the services that Bridge Strategy Group is  
21    providing regarding integration in connection with  
22    the acquisition of Aquila by Great Plains Energy  
23    other than Exhibit -- what's been marked as  
24    Exhibit 127, that letter?

25          A.       There was a small piece of work we did



1 related to this on the IT front that lasted for a few  
2 weeks. I think that's also been provided.

3 MR. WILLIAMS: Judge, may I approach?

4 JUDGE STEARLEY: You may.

5 BY MR. WILLIAMS:

6 Q. Mr. Zabors, I'm handing you what's been  
7 marked as Exhibit 130. (Mr. Williams handed the  
8 witness the document.)

9 A. Okay.

10 Q. Have you had an opportunity to --

11 A. Yes.

12 Q. -- review that? Is Exhibit 130 a copy  
13 of the engagement you've just referenced regarding IT  
14 services?

15 A. Yes, it is.

16 Q. Is there -- are there any other  
17 documents regarding the integration planning aside  
18 from the exhibits that have been marked as  
19 Exhibit 127 and Exhibit 130, these two letters?

20 A. I don't believe there are in terms of  
21 the written agreements like this.

22 Q. And how do you know that Mr. Marshall  
23 accepted the terms of the January 4th, 2007 letter  
24 that Bridge Strategy Group provided?

25 A. I gave it to him in his office and we

1 talked about it and have collaborated since then  
2 continually.

3 Q. So it was a verbal response?

4 A. Yes, it was. Again, we did not ask for  
5 a signed copy, and that's not our practice with our  
6 clients.

7 Q. Earlier you indicated in connection with  
8 what's been marked as Exhibit 128 the invoices  
9 thereon --

10 A. Uh-huh.

11 Q. -- or within that exhibit that -- I  
12 believe Bridge Strategy Group had made the breakdown  
13 between the transaction costs and transition costs as  
14 shown on those invoices --

15 A. Yes.

16 Q. -- but that ultimately, it was the  
17 responsibility of Great Plains Energy to determine  
18 the appropriateness of that categorization; is that  
19 not true?

20 A. Yes, yes.

21 Q. Did Bridge Strategy Group provide Great  
22 Plains Energy with any information aside from the  
23 invoices as to the breakdown between transition costs  
24 and transaction costs shown on those invoices?

25 A. You probably have it somewhere in that

1     stack of papers. It's a month-by-month detail for  
2     everyone on our team, that we allocate transition and  
3     transaction costs according to their role on the team  
4     and the activities they performed that month.

5           Q.     Is that something that would be  
6     identified as a monthly billing detail?

7           A.     Yes, it would be.

8           Q.     And that would have been some kind of a  
9     spreadsheet?

10          A.     Yes, it is.

11                 MR. WILLIAMS: Judge, may I approach?

12                 JUDGE STEARLEY: You may.

13     BY MR. WILLIAMS:

14           Q.     I'm handing you what's been marked as  
15     Exhibit 129.

16          A.     Uh-huh.

17           Q.     Have you had an opportunity to review  
18     Exhibit 129, and if you have not, please do so.

19          A.     I'm familiar with the contents of it.

20           Q.     And is Exhibit 129 that detail that you  
21     referred to earlier that gives a breakdown by  
22     individual as to what's transition cost and what's  
23     transaction costs --

24          A.     Yes, it is.

25           Q.     -- for that person's work?

1           A.       Yes, it is.

2           Q.       Did Bridge Strategy Group provide any  
3 other information in connection with the invoices?

4           A.       I don't believe so. This is all they've  
5 requested at this -- this time.

6           Q.       Has Great Plains Energy ever challenged  
7 or recategorized an allocation -- or a designation  
8 that Bridge Strategy Group has done with regard -- on  
9 an invoice with regard to transaction costs or  
10 transition costs?

11          A.       I don't know how they ultimately record  
12 the costs, so I can't tell on that side. I have not  
13 heard anything back from them directly, but I can't  
14 tell you if they've changed something anywhere else  
15 in the accounting process.

16          Q.       Well, if they have, they haven't brought  
17 it to your attention --

18          A.       Right.

19          Q.       -- and requested additional information?

20          A.       They have not -- not -- to my knowledge,  
21 they have not challenged that.

22          Q.       Turning back to Exhibit 128, there's a  
23 category labeled "Expenses" --

24          A.       Uh-huh.

25          Q.       -- that show up on, I believe, each

1 invoice?

2 A. Yes, that's right.

3 Q. Did Bridge Strategy Group provide any  
4 supporting documentation for those invoices -- those  
5 expenses on any of these invoices?

6 A. We may have. I'm not -- I'm not sure if  
7 we have or not.

8 Q. If you have, you don't know it?

9 A. No. It wouldn't be -- it hasn't gone  
10 through -- through me. But the expense detail, we  
11 have administrative people in our office that handle  
12 those requests from clients as they come in.

13 Q. Do you know anything about Great Plains  
14 Energy's process for approving invoices from Bridge  
15 Strategy Group?

16 A. No, I don't.

17 Q. How do you know that they have approved  
18 Bridge Strategy Group invoices?

19 A. I don't -- as I said earlier, I don't  
20 know if we require approval as much as receiving  
21 payment, and I know that we've received payment.

22 Q. So payment is how you know they've been  
23 approved?

24 A. That's a good indication.

25 Q. Is that a yes?

1           A.       Yes. I'm sorry. Yes.

2           Q.       Has all of your interaction with Great  
3 Plains Energy or Kansas City Power & Light Company  
4 regarding the scope of your engagement -- and I'm not  
5 talking about the actual integration team activity,  
6 but with regard to the scope of the work that's to be  
7 done and the payment therefor been through Mr. John  
8 Marshall?

9           A.       The invoices, as you can see, are -- go  
10 to both John Marshall and Todd Kobayashi, and I know  
11 they copy it on to their accounting teams. So as you  
12 probably heard in earlier testimony, Todd Kobayashi  
13 is more related -- aligned with the deal closure  
14 activities, as it's called in integration planning  
15 leadership team, and John Marshall is in charge of  
16 more of the integration activities.

17                    So both people see that just to make  
18 sure that anything having to do with -- that would go  
19 beyond the synergy activity, Todd would see if it had  
20 to do with this type of activities such as my -- my  
21 being here today.

22           Q.       This may be HC, I don't know. But  
23 what's your monthly rate for services that you  
24 provide service?

25           A.       It's stated in the letter in

1 Exhibit 127.

2 JUDGE STEARLEY: Mr. Fischer, do you  
3 consider the number to be HC?

4 MR. FISCHER: Yeah, the numbers are HC  
5 but they are in the documents, so I don't think we  
6 need to go in-camera unless he wants to put it --  
7 spread it across the record more than is included in  
8 the exhibit.

9 MR. WILLIAMS: And I think I spread it  
10 earlier, so I'll not spread it more.

11 BY MR. WILLIAMS:

12 Q. Turning to what's been marked as  
13 Exhibit 129 which is the billing detail --

14 A. Uh-huh, uh-huh.

15 Q. -- in that spreadsheet it shows -- oh,  
16 the third column over, is that a monthly rate?

17 A. That's a monthly rate. You'll see it  
18 ties back to the letter in Exhibit 127.

19 Q. And then the next column over has  
20 percentages, and I'm looking at the first one which  
21 is the June 2007 billing detail.

22 A. Correct.

23 Q. And for this one it says "June Time" and  
24 then it shows a percentage that ranges up to  
25 100 percent.

1           A.       Uh-huh.

2           Q.       What is that reflecting?

3           A.       It's a percentage of time that those  
4 individuals spent on the project.

5           Q.       And "the project" being the work that  
6 was being performed by Bridge Strategy Group for  
7 Great Plains Energy?

8           A.       Right, in the scope of the January 4th  
9 letter.

10          Q.       And then moving to the right in the  
11 column next to the last column that shows "Percent  
12 Transaction" --

13          A.       Uh-huh.

14          Q.       -- is that then showing an allocation of  
15 the fees between transaction and transition costs?

16          A.       That's correct.

17          Q.       In the scope of Bridge Strategy Group's  
18 engagement with Great Plains Energy, does -- do Great  
19 Plains Energy or Kansas City Power & Light Company  
20 have any right to designate who actually performs any  
21 of the work?

22          A.       Certainly. Of course they do. And it's  
23 a very transparent process. I think that implicit in  
24 your question earlier, our team is on-site, our team  
25 is very visible, we're in the same location,



1 executives integration teams see us all there, so  
2 another check and balance to your point about time  
3 and participation and it's all very clear. And if  
4 they have any issues with -- with staff, as do any of  
5 our clients. It's completely at their discretion.

6 Q. And as part of the engagement, do Great  
7 Plains Energy or Kansas City Power & Light Company  
8 also have the right to control how many individuals  
9 that Bridge Strategy Group at Bridge Strategy Group  
10 are performing any services at any point in time?

11 A. Yes, they do. And again, what we're  
12 doing is within the context of the January 4th  
13 agreement.

14 Q. Is that authority to control who's  
15 performing the work or how many individuals are  
16 performing the work, has that been reduced to a  
17 writing anywhere?

18 A. In terms of granting that authority?

19 Q. Yes.

20 A. No. Nor do I see that in agreements  
21 with any of our clients. I think it's implicit in  
22 the relationship that we have with our clients and  
23 all clients at Bridge.

24 Q. Does Bridge Strategy Group consult with  
25 Great Plains Energy or Kansas City Power & Light

1 Company before they assign a particular individual to  
2 do particular work in connection with Bridge Strategy  
3 Group's engagement with Great Plains Energy?

4 A. I think in almost all cases -- in all  
5 cases we've -- we've had the conversation with the  
6 appropriate individuals on the integration planning  
7 leadership team, and at the -- at the upper levels.

8 In some cases we define our role -- and  
9 this goes back now to June 2007, so -- or January  
10 2007 -- but as we were bringing people on board to  
11 the team for the different roles that we'd laid out,  
12 we had those conversations.

13 So there have been a few instances where  
14 we had one person continuing a role for somebody else  
15 who had to leave for a variety of reasons, and we've  
16 just made the introduction saying we're bringing in  
17 this person with these qualifications for the same  
18 role. In general, yes, of course.

19 THE COURT REPORTER: I didn't hear the  
20 last part.

21 THE WITNESS: In general, yes, that's  
22 exactly how it's done. And these are -- our  
23 clients -- our consultants are working directly with  
24 client staff all the time, so it's a natural course  
25 of an introduction to make that. So, of course,

1     that's mutual.

2                     They would be aware of the transitioning  
3     of somebody onto the team and have daily contact in  
4     which they can evaluate their satisfaction with the  
5     services being provided.

6     BY MR. WILLIAMS:

7             Q.       And in connection with determining the  
8     number of Bridge Strategy Group personnel that work  
9     on any particular aspect of the engagement --

10            A.       Uh-huh.

11            Q.       -- does Bridge Strategy Group consult  
12     with anyone at Kansas City Power & Light Company or  
13     Great Plains Energy before they determine the numbers?

14            A.       It's an interactive dialogue.  There's  
15     teams -- and our consultants are working with people  
16     every day on -- on a variety of different issues.  So  
17     there's -- there's daily feedback and contact.  It's  
18     not that we need to have a separate process or -- or  
19     form.

20            Q.       Is there any particular person at Great  
21     Plains Energy or Kansas City Power & Light Company  
22     that approves either who performs the work or how  
23     many perform the work that Bridge Strategy Group does  
24     in connection with its engagement regarding Great  
25     Plains Energy's acquisition of Aquila?

1           A.       John Marshall, as you can see on some  
2 exhibits that talk about the overall project  
3 structure, is leading the initiative, and he's the  
4 one who, you know, had -- we have the agreement with.

5                   And Todd Kobayashi as -- as -- he's  
6 involved with the deal closure side of things can  
7 have a voice as can everyone else on the integration  
8 planning leadership team and anyone else at Great  
9 Plains or KCPL, for that matter. We're open to  
10 feedback at all times.

11          Q.       Is it done in an informal process?

12          A.       We don't have a formal process for  
13 discussing the performance of every consultant on the  
14 project at every -- all times. It's an interactive  
15 process. I wouldn't call it informal or formal. I  
16 would say it's -- it's a continual dialogue.

17          Q.       Going back to Exhibit 129, is that tied  
18 in with Exhibit 128?

19          A.       Yes, it is.

20          Q.       And when was the information that is in  
21 Exhibit 129 provided? Would it have been provided --  
22 the detailed information been provided with the  
23 invoice, or would it have been provided at some other  
24 time?

25          A.       It goes with the invoice.

1           Q.       And aside from the descriptions that are  
2 reflected in the Exhibit 128 to the right --

3           A.       129?

4           Q.       I'm sorry. 129.

5           A.       Okay.

6           Q.       -- is that all of the information that  
7 was provided to Great Plains Energy regarding the  
8 work that was performed by the particular individual?

9           A.       Well, the -- again, these individuals  
10 are working with people from Great Plains Energy and  
11 Aquila every single day, so I believe that our  
12 clients are very familiar with the roles. But just  
13 to make sure it was clear to any -- all the parties,  
14 that's -- we've added the description to this -- this  
15 page as well.

16          Q.       Let's make it narrower. For billing  
17 purposes, is that all the information that was  
18 provided regarding the work that any particular  
19 individual did?

20          A.       We have one sentence for each -- each  
21 individual regarding their role.

22          Q.       And that was of the extent of what was  
23 provided to support the billing?

24          A.       And in addition to that, I don't know  
25 the exhibit number, but there is an overall framework

1 organization chart for the entire integration effort  
2 that's been provided, I know, through data requests  
3 and other means. So you can see the alignment of  
4 each of these individuals with specific teams.

5                   There are 26 integration teams and sub  
6 teams, and so our -- our team of much less than 26  
7 supports those -- those individuals. So it was a  
8 direct mapping of consultants to teams in addition to  
9 what's provided here on this in more detail.

10           Q.       Well, did you provide timesheets?

11           A.       No. That's not our practice to do that  
12 at any client. We don't have much of a timesheet  
13 infrastructure. It's not that kind of work. That's  
14 why we have a monthly -- a monthly billing structure.

15           Q.       In connection with the invoices that --  
16 provided to Great Plains Energy, did Bridge Strategy  
17 Group itemize any of the expenses it charged?

18           A.       I don't -- I don't know about that.

19           Q.       Did Bridge Strategy Group provide any  
20 supporting documentation for the expenses it charged?

21           A.       Again, the dialogue that occurs when  
22 it's happening is not at my level.

23           Q.       So you don't know?

24           A.       I don't know.

25           Q.       Did -- do you know if Kansas City Power

1     & Light Company or Great Plains Energy ever  
2     required -- strike that. I think that's already been  
3     addressed.

4                     Do you know who at Great Plains Energy  
5     or Kansas City Power & Light Company would have  
6     approved the allocation that Great -- Bridge Strategy  
7     Group made between transition and transaction costs  
8     on its invoices?

9             A.       Who would have approved that?

10            Q.       Yes.

11            A.       I don't know of the approval process, as  
12     I said earlier. I don't know how they ultimately  
13     reflect that accounting. But in terms of review of  
14     the invoices, I'm sure it goes through the same  
15     channels that all invoices do, so I assume that --  
16     not only going to John Marshall and Todd Kobayashi,  
17     they would also go through the accounting --  
18     accounting functions as well. So in terms of  
19     approvals, I -- I would assume that it has those --  
20     those approvals.

21            Q.       Well, what knowledge do you have of  
22     Kansas City Power & Light Company and Great Plains  
23     Energy's invoice approval process?

24            A.       Limited. I know that they have some  
25     things that are electronic, I know that some of these

1 things go through the accounting function. I can't  
2 give you specific detail on how they approve  
3 transition and transaction costs.

4 Q. Well, you said earlier that you assume  
5 they went through their normal processes, so my  
6 question was directed to what you know about that  
7 process.

8 A. Personally I don't know that much detail  
9 in terms of exactly how an invoice makes its way  
10 through whatever systems they have.

11 Q. Current -- currently are Great Plains  
12 Energy and Kansas City Power & Light Company seeking  
13 to recover 100 percent of the transaction costs for  
14 Great Plains Energy's acquisition of Aquila?

15 A. I -- I believe they've stated that in  
16 Terry Bassham's additional supplemental direct  
17 testimony.

18 Q. Are they seeking to recover those  
19 transaction costs now, or the opportunity to recover  
20 them in the future?

21 A. I believe they'll be spread in the  
22 future.

23 Q. I thought Great Plains Energy had agreed  
24 to forego seeking recovery -- referring to your  
25 schedule RTZ-10 under supplemental direct.



1           A.       Okay.

2           Q.       The GPE share of executives CIC, the  
3 Rabbi trust and the CIC tax gross-up?

4           A.       I believe that's what it says in  
5 Mr. Bassham's testimony as well as moving the share  
6 of severance to transition costs leading to a total  
7 of 64.9 million of which 47.2 is from Missouri.

8           Q.       So looking at your schedule RTZ-10, is  
9 the 64.9 million comprised of the legal, HR and deal  
10 close support to the bottom of that table which on  
11 the right-hand column under the total would be 12.5,  
12 16.0, 26.4, 7.0 and 3.0 million?

13          A.       Correct.

14          Q.       And then the GPE share of severance  
15 shown at the top there, the 13.6 million, has that  
16 been recategorized from --

17          A.       Transaction to transition?

18          Q.       Yes.

19          A.       Yes.

20          Q.       The costs that are shown on RTZ-10 --

21          A.       Uh-huh.

22          Q.       -- is it necessary for Great Plains  
23 Energy to incur those in order to realize the  
24 corporate operational savings that are not allocated  
25 to regulated utilities as shown on schedule RTZ-6?

1           A.       I'm sorry.  Could you repeat the  
2   question?

3           Q.       The transaction costs that are shown on  
4   RZT -- RTZ-10 --

5                   A.       Uh-huh.

6 Q. -- as modified, so we're talking about  
7 the 64.9 million plus the executive compensation,  
8 everything except for the share of severance.

9                    A.            IS --

10 Q. But my question is, is it necessary for  
11 Great Plains Energy to incur that in order to realize  
12 the \$302 million shown on RTZ-6 as being corporate  
13 operational savings?

14           A.       No. It's necessary to recover the -- to  
15   capture the \$305 million, and the severance which has  
16   been moved over to the transition review part of the  
17   302. So RTZ-6, the total \$607 million of synergies  
18   result from completion of the transaction.

19 Q. What's your understanding of the  
20 302 million portion of the total of the 607 million?

21           A.       The \$302 million represents Aquila's  
22   corporate overhead costs that were not allocated to  
23   Aquila's Missouri properties in the 2000 -- case that  
24   was settled by -- in May of 2007.

25 So those represent costs that were not

1 allocated to Missouri but are additional costs that  
2 will be reduced subsequent to the closure of the  
3 transaction.

4 Q. Isn't it necessary that the transaction  
5 close for those -- that 302 million in savings to be  
6 recognized?

7 A. Absolutely.

8 Q. And is it necessary that the transaction  
9 costs shown on schedule RTZ-10 be incurred in order  
10 to close a transaction?

11 A. The costs need to be incurred to close  
12 the transaction, and the 302 -- the benefit of  
13 reducing the \$302 million of costs, it does result  
14 from the transaction as well.

15 Q. I note there's a bullet at the -- or  
16 down at the notes, the last one. It says, "Aquila  
17 states that corporate costs have now been reduced to  
18 a level that would imply 221 million in corporate  
19 savings rather than 302 million if 2007 was used as  
20 basis instead of 2006." Do you see that?

21 A. Uh-huh, yes.

22 Q. Does that mean that the 302 figure is  
23 incorrect?

24 A. No. It's just a -- it's a timing issue.  
25 I think the issue is to be consistent, GPE selected

1 to use, as I said earlier, the data that was filed in  
2 Aquila's 2006 rate case that was settled in May of  
3 2007.

4 And in terms of that case, I believe GPE  
5 thought those were good numbers to use because  
6 they've been through the entire regulatory process  
7 and vetted by staff and others, so they used that as  
8 a baseline.

9 On this note, some people at Aquila  
10 wanted to make sure that it was clear that subsequent  
11 to the numbers that were filed in the case, they had  
12 taken -- there were some reductions in costs  
13 subsequent to that in 2007, and they wanted to  
14 acknowledge that on there. So we thought it was fair  
15 to acknowledge that they had made some progress in  
16 terms of reducing those. They're primarily  
17 merchant-related. I think this only pertains to  
18 merchant wind-down activities, so ...

19 One needs a consistent baseline, so in  
20 reporting, we've tried to make sure we're consistent  
21 with the numbers.

22 Q. And what's been the basis for the  
23 numbers, then, 2006?

24 A. Right. Yeah, I think you'll see that  
25 throughout everyone's testimony, that the 2006

1 numbers are the baseline for all of the analyses.

2 Q. So any corporate cost reductions that  
3 have already been incurred in 2007 are not reflected  
4 in the testimony?

5 A. Again, I think this not only pertains to  
6 a merchant wind-down activity, some of the merchant  
7 book. So I don't think there were any other costs  
8 associated with -- with that in -- in -- in terms of  
9 this note.

10 Q. And the merchant wind-down, then, would  
11 be a nonregulated activity?

12 A. I believe so, yes, which is all the 302  
13 is nonallocated to Missouri. But it is a corporate  
14 cost, and that's part -- one of the benefits of the  
15 transaction is that this overhang of costs eventually  
16 could have been passed on to consumers if so chosen,  
17 and accepted by the regulators, and those costs will  
18 no longer be there.

19 Q. Are Great Plains Energy and Kansas City  
20 Power & Light Company asking this Commission to make  
21 a decision in this case regarding the rate treat --  
22 ratemaking treatment for the transaction costs in  
23 connection with Great Plains Energy's acquisition of  
24 Aquila in future rate cases?

25 A. I'm not sure I'm qualified to talk about

1     that.

2             Q.       You don't know?

3             A.       I'll just say -- make it simple and say  
4     I don't know.

5             Q.       Has Bridge Strategy Group performed and  
6     billed Great Plains Energy for any -- or Kansas City  
7     Power & Light Company for any work related to the  
8     realization of the \$302 million of projected  
9     cumulative synergy savings as shown on RTZ-6 and  
10    those would be the corporate operational savings?

11            A.       We haven't billed anything explicitly  
12    for the 302. I mean, that's -- that's not something  
13    that -- I mean, we're facilitating this process, not  
14    targeting the 302 versus 305.

15            Q.       So none of your invoices would make any  
16    kind of a breakdown between whether the services  
17    performed -- work for regulated operations as opposed  
18    to the nonregulated operations?

19            A.       They wouldn't break that down, but  
20    the -- if you look at the context of the work we've  
21    been doing, the integration planning leadership team  
22    and the organizational charts related to that. They  
23    don't --

24                    MR. WILLIAMS: Judge, I believe he's  
25    already answered the question.

1 THE WITNESS: It's not in the scope.

2 JUDGE STEARLEY: All right. You may  
3 cease with your narrative, Mr. Zabors.

4 MR. WILLIAMS: I believe I have no  
5 further questions of this witness.

6 JUDGE STEARLEY: Thank you,  
7 Mr. Williams. Now, it was my understanding  
8 Mr. Zabors was coming back specifically for Staff's  
9 cross. Prior to this, the other parties had waived  
10 cross, so I want to just -- to confirm, did Public  
11 Counsel and AgProcessing have any additional cross  
12 for this witness?

13 MR. MILLS: No, I wouldn't dare try  
14 cross on this witness.

15 MR. WOODSMALL: No, your Honor.

16 JUDGE STEARLEY: All right.  
17 Commissioner Murray, would you have any --

18 COMMISSIONER MURRAY: No.

19 JUDGE STEARLEY: -- questions for Mr. --

20 COMMISSIONER MURRAY: No questions,  
21 thank you.

22 JUDGE STEARLEY: Any redirect from Great  
23 Plains?

24 MR. FISCHER: Recognizing it's late,  
25 I'll try to be brief, but I did have a couple.

1 REDIRECT-EXAMINATION BY MR. FISCHER:

2 Q. You had quite a lengthy discussion with  
3 Mr. Williams about your breakdown of transaction  
4 costs and transition costs on your invoices. Do you  
5 recall those questions?

6 A. Yes.

7 Q. Could you just explain in a nutshell how  
8 Bridge Strategy would decide what consultant costs  
9 would go into transaction costs and what  
10 transition -- what costs would go into transition  
11 costs on your invoices?

12 A. Sure. We looked at -- as you can see in  
13 my Exhibit 129, I would look at each individual  
14 consultant on a monthly basis, and in determining how  
15 much time they spent on the project, we also confirm  
16 their role in the project. And the roles are -- for  
17 most people are fairly -- fairly consistent, so the  
18 categorization is very simple.

19 A few people who have been more or less  
20 involved in the regulatory process in particular tend  
21 to have that being more of a dynamic allocations two  
22 or three people. So you'll see on a monthly basis  
23 where a month like this or an August of '07 when  
24 we're preparing a lot of material for the regulatory  
25 process or in October, that there's a heightened



1 amount of transaction costs.

2 Q. You were also asked some questions  
3 regarding \$13.6 million which was originally  
4 categorized as transaction costs and was subsequently  
5 classified as transition costs. Do you recall that?

6 A. Correct.

7 Q. Do you know if that change was made  
8 after consultation with Staff?

9 A. I believe there were some discussions --  
10 was after the December hearings, and there was  
11 extensive conversation around that.

12 Q. Mr. Williams also referred you to  
13 Exhibit 127 which was your engagement letter with the  
14 company. Do you recall that?

15 A. Yes.

16 Q. And he asked you some questions, I  
17 think, and maybe referred you to your billing rate?

18 A. Correct.

19 Q. Are -- in that exhibit, there's an  
20 indication that you believe that your rates are  
21 competitive; is that true?

22 A. That's correct.

23 Q. What's the basis for that statement?

24 A. A few bases. First, we do look at the  
25 marketplace and there is market data out there, in

1 particular that's provided by a publication called  
2 Consultants News which is very widely read and  
3 authoritative on the topic as a benchmark costs. We  
4 believe our costs are below average typically, in  
5 terms of the industry certainly, you know, average.  
6 Second quartile, third quartile at least.

7           In addition, the team that we bring, the  
8 average years of experience and people in our team is  
9 about 18 years of experience, probably double what it  
10 is in the industry. Also, on an hourly basis, I  
11 think GPE in the discussions on the January 4th  
12 letter, we agreed on a monthly rate. Our consulting  
13 team have been working on average well above 60 hours  
14 a week, oftentimes 90-plus hours a week.

15           So on an hourly basis, the rates are  
16 extremely, extremely competitive. And we haven't  
17 raised those since 2006, and the industry has gone up  
18 10 percent or more during that time.

19           Q.     I believe Mr. Williams also referred you  
20 to existing relationships that existed before this  
21 particular case?

22           A.     Right.

23           Q.     What were some of the previous projects  
24 that you worked with, particularly Kansas City Power  
25 & Light or Great Plains on?

1           A.       Particularly, a comprehensive energy  
2     plan in 2004 where we addressed all aspects of the  
3     company, were familiar with -- with all aspects of  
4     the company which I believe helped us very -- very  
5     much in terms of understanding the nature of the  
6     company and the benefits that are possible in this  
7     combination.

8           Q.       That's the regulatory plan we've talked  
9     about that's been approved by the Commission --

10          A.       Correct.

11          Q.       -- in 2005/2006?

12          A.       Yes.

13          Q.       And I believe he asked you a question  
14     about whether KCPL and GPE were going to recover 100  
15     percent of the transaction costs. Do you recall  
16     that?

17          A.       Yes.

18          Q.       I believe you clarified it, but is there  
19     some Aquila severance costs that are not being  
20     requested as a part of this case?

21          A.       As he was asking about schedule RTZ-10,  
22     those have been removed. The executive CIC Rabbi  
23     trust and CIC tax gross-up, the \$16.7 million on  
24     schedule RTZ-10 was removed by the company and it --  
25     subsequent to or it's contained in Terry Bassham's

1 additional supplemental testimony.

2 Q. And I believe Mr. Williams also asked  
3 you about the 302 million that I believe you  
4 indicated were corporate costs not included in  
5 regulated rates?

6 A. Uh-huh, yes.

7 Q. Can you give just a couple of examples  
8 of what that would relate to?

9 A. Those are things like stock market  
10 listing fees for Aquila or things -- other corporate  
11 entity costs, board fees that would go away. So in  
12 the context of our doing anything to make those go  
13 away, that's not really in the scope of our -- our  
14 work since those things go away with the dissolution  
15 of that entity.

16 Q. And I believe in that context of that  
17 discussion, you were trying to elaborate on an  
18 answer, and I wondered if you would like to elaborate  
19 at this point on -- on the reason why none of the  
20 invoices would have a breakdown per the \$302 million?

21 A. I just -- for the sake of time, I would  
22 just say that -- amplify my last response which is  
23 those costs are really outside of our scope and go  
24 away with the dissolution of -- of the entity. And  
25 that's -- that's why they're corporate operational

1 costs. They really don't pertain to the core of what  
2 we're doing.

3 MR. FISCHER: Thank you, Mr. Zabors.  
4 That's all I have. We've already had his testimony  
5 entered into the record and I believe he is now done.

6 JUDGE STEARLEY: I believe that's true,  
7 Mr. Fischer, and I thank you, Mr. Zabors for your  
8 testimony. I still will not finally release you just  
9 in case the Commissioners should pop up with the need  
10 to ask you any additional questions, but that time  
11 appears to be coming soon. So thanks for coming back  
12 today.

13 Couple of housekeeping matters before we  
14 leave. Mr. Woodsmall --

15 MR. WOODSMALL: Yes.

16 JUDGE STEARLEY: -- I believe I've heard  
17 reference to your -- you having Mr. Cline and  
18 Trippensee for your offer of proof now and --

19 MR. WOODSMALL: And Schallenberg.

20 JUDGE STEARLEY: And Schallenberg. So  
21 it would be those three witnesses.

22 MR. WOODSMALL: Yes.

23 JUDGE STEARLEY: And if I'm right,  
24 everything else is clear on our schedule. We've  
25 taken testimony on all the other issues?

1                   MR. MILLS: Well, we have taken  
2 testimony on all the other issues that you've allowed  
3 us to take testimony on.

4                   JUDGE STEARLEY: That's correct. Just  
5 wanted to confirm that. And how long of an inquiry  
6 are you expecting?

7                   MR. WOODSMALL: Less than an hour for  
8 all three.

9                   JUDGE STEARLEY: Okay. Well, why don't  
10 we pick up at 9:00 a.m. tomorrow. I'm up at 4:00,  
11 so ... Is there anything else we need to take up  
12 tonight?

13                   (NO RESPONSE.)

14                   JUDGE STEARLEY: All right. Well, thank  
15 you all very much.

16                   (WHEREUPON, the hearing of this case was  
17 recessed until May 1, 2008, at 8:30 a.m.)

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25		



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7 ISSUE: TRANSACTION COST RECOVERY  
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9 ROBERT ZABORS  
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EXHIBITS INDEX

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MARKED REC'D

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16 Exhibit No. 100  
 Rebuttal testimony of  
 17 Robert Schallenberg \* 2885

18 Exhibit No. 143  
 Copy of an e-mail from  
 19 Stephen Easley dated as  
 sent on December 6th,  
 20 2006 2651 2802

21 Exhibit No. 144  
 Copy of an e-mail from  
 22 David Price sent on  
 January 23, 2008 2654 2802

23 Exhibit No. 145  
 24 Cover page which is an  
 e-mail from David Price  
 25 dated January 20th, 2008 2767 2802

1	EXHIBITS INDEX (CONTINUED)		
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4	Exhibit No. 146 HC		
5	Memorandum from James Rose		
6	and Josh Thomas dated		
7	February 15th, 2008	2812	2835
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9	Rebuttal testimony of		
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15	New SEC filing	2804	**
16			
17	* Marked in a previous volume.		
18	** Not yet received into evidence.		
19			
20			
21			
22			
23			
24			
25			

## 1 CERTIFICATE OF REPORTER

2 STATE OF MISSOURI )  
3 )ss.  
4 COUNTY OF COLE )  
5

6 I, PAMELA FICK, RMR, RPR, CSR, CCR #447,  
7 within and for the State of Missouri, do hereby  
8 certify that the foregoing proceedings were taken by  
9 me to the best of my ability and thereafter reduced  
10 to typewriting under my direction; that I am neither  
11 counsel for, related to, nor employed by any of the  
12 parties to the action to which this hearing was  
13 conducted, and further that I am not a relative or  
14 employee of any attorney or counsel employed by the  
15 parties thereto, nor financially or otherwise  
16 interested in the outcome of the action.

17  
18  
19  
20 \_\_\_\_\_  
21 PAMELA FICK, RMR, RPR, CSR, CCR #447  
22  
23  
24  
25