A. I did.

Q. Both sides of the equations, supply and demand?

A. No.

Q. Who did that?

A. I'm not sure.

Q. Somebody must have done that.

A. All I can say is -- is the model produces the result that this is where the unit should be, and it's based on many things. And I'm not sure Staff sat down and said does this -- does this curve match with this curve. All we did was review the results of the model, which indicates where it should be.

Q. But you just told me that it was important to match those two up, didn't you?

A. Well, the model -- that's why you run the model. If you didn't have --

Q. Where is that result?

A. I don't see it here. It's the --

Q. I'm not saying it's not there. I'm just looking for it.

A. There's some charts that show the least cost option, and what that would -- what that would show was all those things put together. It would say not only am I meeting the load when I need to meet it, I'm meeting it at

the least cost. That's why you run a dispatch model because you can sit there and say, okay, I think the load's going to be such and such in such a year, and I'm going to put this unit in.

Because fuel costs and everything are based on the analysis of the actual running of the plant, you run the model to see how it operates, how it turns on, turns off, and so forth. And so the -- their -- these may all be least cost -- there is a least cost analysis on the next page, you know, talking about low gas prices, high gas prices. Again, they don't turn the load off when they run the model. These model runs all show that this is meeting the load.

Q. Well, let me see if I can -- here's what I'm look for.

A. Okay.

Q. I know this must exist somewhere, and I'm probably just looking over the top, but the -- the information on the required capacity additions on Page 16 indicate the need for new capacity beginning in 2006. Then I've got documents on what provides the most prudent or reasonable decision on costs on new additions.

And it seems to me like there ought to be a whole series of questions about matching load and supply up in this time frame beginning in '06 on out. And the stipulation, as I recall, requires some wind addition, and

then requires this coal plant. I want so see -- I'm looking for you to tell me what -- where the analysis is or what analysis was done that matches those things up to show me that I have dealt with the required capacity additions at the right moments in time and at the most efficient -- in the most efficient way.

And I'm looking for that, either from an explanation from someone on Staff or from a document that's in this exhibit, or another exhibit that would put that altogether for me.

A. Can I have a minute here, sir?

Q. Absolutely.

A. Commissioner, the best I can do is that all these graphs in this Exhibit 49 on page -- like Page 28, I think it's a -- expected to be a given that the model will meet the load. If you put the load growth in there, it will meet it, and what these graphs are showing is which -- which, like, for instance, on Page 28, coal versus combined cycle, it's saying that the coal is a cheaper option than the combined cycle.

I can't -- I can't do better than that, sir, at this point in time. It's just that the model has a load in it. The model's goal is to meet that load whenever it can. It I put in a load growth of 2 percent, it's going to meet that. And when it runs, it's going to say I can meet it

with combined cycle, but it's going to cost me this much, or I can meet it with coal, and it's going to cost this much. And you can put in different loads, it may give you different answers. But at this point, that is the best I can do.

Q. Perhaps Mr. Dottheim can offer me someone else that can tie these two together, because I'm no trying to pick on you.

A. No, sir, and I'm trying to explain it the best I can.

Q. I understand. I understand.

MR. FISCHER: Your Honor, the company certainly would be willing to offer Mr. Grimway again. He is the guy -- the expert, his testimony explains MIDAS in detail. It explains how we used all the different assumptions regarding coal prices and gas prices and different technologies, which ones they focused on initially, and then which ones they discarded, and how this MIDAS model pulls all that together to show you the various present value revenue requirements, and that coal is still the best option in that time period. And Grimway is the one that can explain that in greater detail.

COMMISSIONER GAW: And he's here?

MR. FISCHER: He's here and available at your convenience.

COMMISSIONER GAW: I may have to do that. I

was searching to find out if Staff had verified and confirmed before they signed on in this stipulation that those things were true. That's what I'm looking for right now, but I may come back to you.

MR. DOTTHEIM: Commissioner, we -- the Staff would offer Mr. Wood.

COMMISSIONER GAW: Okay. That's fine. That would be fine.

BY COMMISSIONER GAW:

Q. Let me ask this, and I may just need to go to Mr. Wood. Do you have a matching demand curve -- curves reflecting what is needed, which shows that the day-to-day peaks and -- and valleys of demand?

A. No, I do not.

Q. And that would also, then, match -- match up with what would be the optimal thing to have in a generation mix?

A. I do not have that information.

Q. Did Staff do that kind of analysis, do you know -- or do you know whether or not someone analyzed that kind of a curve looking forward?

A. I'm not aware of that.

Q. Okay. Okay. Let me -- I'll just go to Mr. Wood and try that.

A. Sorry.

Q. No problem. Thank you very much for your help.

JUDGE PRIDGIN: All right. Mr. Elliott, thank you. Mr. Dottheim.

MR. DOTTHEIM: Yes, while -- while Mr. Elliott is on the stand, there are a number of questions that are set out in the -- the order of reconvening hearing, and the Staff tried to prepare to address those questions.

And Mr. Elliott has prepared a number of documents that may be beneficial in addressing some of those questions, which I'm not sure that we've gotten to. Such as the nature of the desired generating capacity base load versus peak, desirability of a particular fuel source, KCP&L's resulting fuel portfolio. I have a number of documents that -- that Mr. Elliott's prepared and --

COMMISSIONER GAW: Maybe I didn't make myself clear with my last -- with my last question before I stopped, but that was -- that was where I was headed and I thought that I heard that there was no analysis done in that regard, so maybe I didn't -- I didn't make myself clear.

MR. DOTTHEIM: And maybe we've misinterpreted, but if I could have some documents marked as exhibits, that might be helpful or -- in addressing the Commissioner's questions, or prompt other questions.

COMMISSIONER GAW: Either are possible.

JUDGE PRIDGIN: Mr. Dottheim, if you want to go ahead and get those marked.

MR. DOTTHEIM: I'd like to -- all of these documents are highly confidential, but -- and I'm not -- I don't know who is in the hearing room who may not be covered by a nondisclosure agreement and protective order or otherwise. And I don't know how -- in how much detail Mr. Elliott may go into, but why don't I have the exhibits -- the documents marked as exhibits. I think the first one would be Exhibit 54.

JUDGE PRIDGIN: 54, that's correct.

MR. DOTTHEIM: And it's a one-page document showing the KCP&L Dispatch Order, 2005, and Expected Dispatch Order, 2010.

(STAFF EXHIBIT NO. 54HC WAS MARKED FOR IDENTIFICATION BY THE COURT REPORTER.)

MR. DOTTHEIM: The next document, Exhibit 55HC, is a one-page document showing KCP&L for 2003 percentage of total energy by generating unit.

(STAFF EXHIBIT NO. 55HC WAS MARKED FOR IDENTIFICATION BY THE COURT REPORTER.)

MR. DOTTHEIM: The next document, Exhibit 56HC, it's a one-page document showing KCP&L generation by fuel type in 2005 and then 2010.

(STAFF EXHIBIT NO. 56HC WAS MARKED FOR

IDENTIFICATION BY THE COURT REPORTER.)

MR. DOTTHEIM: And the final document I'd like to have marked as Exhibit 57HC, and this is a one-page document showing KCP&L based intermediate and peak capacity of percentages currently at its 2005/2010 without Montrose 1, 2, and 3. And Montrose is intermediate, and also 2010 with Montrose 1, 2, and 3 as intermediate.

(STAFF EXHIBIT NO. 57HC WAS MARKED FOR IDENTIFICATION BY THE COURT REPORTER.)

MR. DOTTHEIM: Mr. Fischer, if I could ask you and maybe other -- well, KCP&L personnel that I'm going to ask Mr. Elliott to -- to go through these exhibits, and if you think he is going to be touching upon anything in particular that's highly confidential, that we haven't identified, then if you would alert us, we'll appreciate that.

MR. FISCHER: I'll sure try.

JUDGE PRIDGIN: Please alert me, and give me as much time as possible. I'll need to pull some tricks with the broadcasting.

REDIRECT EXAMINATION

QUESTIONS BY MR. DOTTHEIM:

Q. Okay. Mr. Elliott, do you have what's been marked as Exhibit 54HC?

A. Yes, I do.

Q. And does it show the KCP&L Dispatch Order 2005 and 2010?

A. Yes, it does.

Q. Would you please explain Exhibit 54HC?

A. Yes. One of the questions was, I think in this hearing was, you know, where's Iatan II going to fit into -- into Kansas City Power & Light's dispatch, is it going to be strictly for sales to its off-system, or where's it going to fit. And what I'm attempting here is to show the dispatch order by unit. The top graph there, Wolf Creek, obviously is the low cost dispatch to the high cost dispatch would be -- which would be the fuel/oil combustion turbines. The bars are just their capacities. They're not energy generated or hours or anything. That's just the actual capacity of each unit.

The lower graph is an attempt to say where Iatan II would fit in the Dispatch Order because it's Staff's belief that Iatan II has a better heat rate than Iatan I. It will be burning probably the same price coal as Iatan I, so it will move almost to the front of the line in the Dispatch Order. It will not be sitting there waiting for somebody to buy power. It will be dispatched because KCP&L is going to dispatch its units to the most economical, so we just want to get a feel for where this new coal unit would fall into the dispatch and show that -- that it is going to

move up toward the front of the line if it's built.

And KCP&L -- of course; this is my -- my guess, where Iatan II would be, you know, it's not going to be the last unit put on. It's not going to be sitting there idolless. It's going to be loaded up as much as the load can handle, because it is going to be the -- the cheapest coal unit that KCP&L has, and this is what it is attempting to do on that.

Q. Also, I might note that on the -- the KCP&L expected Dispatch Order for 2010, there's also wind shown, is there not?

A. Yes, the way we would model wind is we would dispatch it first, somewhat similar to hydro because we do not know what kind of megawatts we're going to get out of it, so we would dispatch it first because there's no fuel associated with it. So it would be dispatched first, just because of the cost, but again, it would be available when the wind was blowing.

But as far as dispatching, you put those on -- get as many megawatts out of it as you can before you put anything else on. And this is not to say that every morning they turn unit one on unit two on, the load is such that these units probably run 80 percent of -- the lower cost units are running 80 percent of the year, so it's not the fact that they're turning them on and off, but this would be

the order if you backed down to meet your load or went up to meet your load, this is the order that would happen.

Q. I'd like to direct you to what's been marked as Exhibit 55HC.

A. Yes.

Q. Okay. Can you please provide an explanation of Exhibit 55HC?

A. Yes. Again, we were trying to show what KCP&L -- how KCP&L's load is met by its generation. It's sort of an attempt, again, to try to differentiate base load from peak and possibly intermediate. This is 2003 data, by percentage of toll generation. It shows that Wolf Creek and -- and there is no particular order other than do not take the order of the units specifically, but shows you that -- that the coal -- the large coal-fired units in the Wolf Creek run quite a bit of the time and meet most of their load.

And Montrose 1, 2, and 3, obviously, are smaller coal units, so they're not meeting the load much for several reasons, probably they're the higher cost coal and they're not big coal units. And what's interesting is the combined cycle is the only other unit that really shows up on this graph. The other numbers are too small, it's not zero, but it's too small to show up on the graph. So it was an attempt to just show what units are meeting their load in

2003.

Q. Mr. Elliott, I'd like to direct you next to what's been marked as Exhibit 56HC, KCP&L generation fuel type.

A. Yes.

Q. Would you please provide an explanation of Exhibit 56HC?

A. There was, again, looking at the information, we wanted to get an idea of what the fuel mix would be for KCP&L if they put Iatan II in, and there -- we did compare this to other companies in the state as to relativeness of what their percentages are, and it falls in line with those units. But this is KCP&L specific, because the other information is highly confidential to everybody, but it shows that the coal -- the percentage of coal will go up a little bit, and obviously offset some gas and some fuel oil, and nuclear will stay the same because of the Dispatch Order.

Q. Mr. Elliott, I'd like to direct you next to what's been marked as Exhibit 57HC.

A. Yes.

Q. KCP&L based intermediate peak capacity percentages current, 2005, and 2010, under two different scenarios -- assumptions. Would you please provide an explanation of Exhibit 57HC?

A. Yes. There's been discussion about what --

what's a good percentage of base and intermediate peak capacities for utility. We went out and found what -- what is today considered base intermediate peaking. Then we added Iatan II, obviously into the base part.

And the reason we did with Montrose and without Montrose is we've had some internal discussions, as well as discussions with KCP&L, is when you put new coal units on and they're more efficient than the older coal units, you move the older coal units down the Dispatch Order. And depending on a lot of things that may or may not happen, the fact that the older coal units could fall into what one could consider intermediate-type units, I was not trying to show that they will or they won't, I'm just showing you what happens if they would or they wouldn't.

Because they're older coal-fired units, they're a little bit less efficient than Iatan II would be. As Exhibit 54HC shows that, you know, you're adding another unit in front of the Montrose units, so you're moving them back down the dispatch curve. So it's sort of an attempt to show the -- the bases of -- of the -- the percentage of base, intermediate, and peak units.

Q. The 2010, without Montrose, what does without Montrose mean?

A. That means Montrose is the base, and not intermediate. The -- I'm sorry, in the 2010 with Montrose,

the Montrose is not in the base, it's in the intermediate. I'm sorry.

Q. And 2010 without Montrose is?

A. I'm sorry, 2010 without Montrose, Montrose 1, 2, and 3 units are in the base and not intermediate. 2010 with Montrose 1, 2, and 3 as --

Q. Okay.

A. -- intermediate, we moved the Montrose units from the base to the intermediate.

MR. DOTTHEIM: Okay. Thank you. I don't know if that -- I have a suspicion that that doesn't truly go to Commissioner Gaw's question, but we had prepared these -- these documents hoping that they might address some questions from the Commission that prompted the session this afternoon. And before Mr. Elliott left the stand, I wanted to have these documents offered, marked for exhibits. I'd like to offer them at this time, and if that has prompted any questions from the bench, Mr. Elliott's still available.

JUDGE PRIDGIN: Mr. Dottheim, thank you. I believe Exhibits 54 through 57 have been offered. Any objections? Seeing none, Exhibits 54, 55, 56, and 57 are admitted. Mr. Dottheim, thank you. Commissioner Gaw?

QUESTIONS BY COMMISSIONER GAW:

Q. Yes, this is helpful, but you're right, Mr. Dottheim, it doesn't answer everything that I was trying

to get to. I would just follow-up, Mr. Elliott, before we go to Mr. Wood. On Exhibit 57, where you show the -- the shift in the Montrose plants in the second part of that, the two following the current 2005?

A. Yes.

Q. You were showing an alternative treatment of Montrose as an intermediate plant as opposed to a base load plant --

A. That's correct.

Q. -- which is in the middle graph?

A. That's correct.

Q. So in essence, you're suggesting that Montrose -- let me ask you this: Montrose is a coal plant, correct?

A. That's correct.

Q. Is it normal for a coal plant to be treated as an intermediate plant or is that ...

A. Older coal plants, which we have several in the state, sometimes fall into the intermediate area of dispatch because if you put -- if you build a new coal plant, you obviously don't want to be cycling that unit on and off, and you want to gain the efficiency, so you want to run that unit.

Well, what happens is you end up initially moving other units down -- down the dispatch order so that it

could be that Montrose could be cycled on and off more, instead of on all the time. It's not -- it's not necessary because it's coal that's always base. I think that most of the time it is, but there are old coal plants that aren't as efficient as new coal plants, and depending on your load, you know, they may be operating more peaking until your load growth goes back up or other reasons, yes.

Q. But you can't switch a coal plant on and off like you can a cogen [ph. sp.] plant, correct?

A. That's correct.

Q. So when you're talking about them as an intermediate plant, you're not talking about them in the same way that you would be talking about generation from a natural gas cogen plant?

A. That's right. And I would say that the toughest of the three here to try to describe is intermediate. What I'm saying is that if -- if you have a coal -- an old coal plant that runs base; in other words, it's on seven days a week, 24 hours a day, and you put in a large new coal-fired unit, you may not need those -- that old unit 24 hours a day, seven days a week. You may only run it five days a week.

Q. Well, would it not be more likely that you might just run it certain times of the year rather than flipping the switch on and off during the summer or am I

wrong? I don't know?

A. Well, see, we're getting into discussion of what really -- where intermediate units fall. That could be. I mean, it just kind of depends on what's the difference between your summer peak and winter peak is or the valleys between the two peaks. And that's why I said intermediate is the toughest one -- I can explain base and explain peak, and everything else in between is intermediate.

You're right. Combined cycles are intermediate because they're faster to start, they're better -- more efficient than combined single cycle -- sorry. Combined cycles are more efficient than single cycle combustion turbines, so you get them on. But there also is that you have to leave them on. Combined cycles have steam turbines associated with it, and so you have to leave them on.

Q. Well, how much -- compare the start-up time for Montrose to a cogen plant for me.

A. I would -- I can't give you specific numbers, but I would say it would take longer for Montrose to start up than a combined cycle.

Q. I would, too, but how much longer?

A. It depends on how much you're willing to -- to strain the unit. If you want that unit on this afternoon, you could do it. It's a matter of you're putting stress on

that unit, you're putting thermal stresses on the unit.

Q. You've got safety issues, don't you?

A. Safety issues. So what I'm saying is --

Q. All units aren't really designed to be brought up and down like the cogen plant.

A. That's exactly right. And would I argue, yes, that's exactly right. But when you have coal units that aren't needed 24 hours a day, seven days a week, you either want to make a sale off of them or you want to take them off.

Q. Yeah.

A. You'd rather take that unit off and have it endure the stress than take off the newest unit, and have it endure the stress.

Q. But your real point with this is just illustrate, I assume, that if you're looking at the priority list of who gets -- who gets turned on first, and who gets left on the longest, you're switching around some plants because if you add this new Iatan facility, because Montrose is not -- is not nearly as efficient as the new plant would be.

A. Right, and what we're really trying to show is what is -- what if Montrose 1, 2 or -- I mean, we show 1, 2 and 3. It could be 1 or 2 or 3. What happens to the base -- what happens to your base to intermediate to peaking percentages in relation to each other if you were to declare

Montrose 1, 2, and 3 as more of an intermediate load than a base load. That's all we're trying to show here.

Q. Which begs my question that I had earlier for me about how this matches with the load needs of KCP&L, which you tell me you can't give me an answer to, so I'm going to ask Mr. Wood back up here.

A. Okay.

COMMISSIONER GAW: And if I could, and I may, Judge, at this point, I am -- oh, I'm okay. Never mind. I thought I was going to have to ask you for some relief because of -- because of somewhat not leaving my daughter stranded on the side of the road, but it appears that I'm okay.

JUDGE PRIDGIN: Very good.

COMMISSIONER GAW: So never mind. I do want to ask some questions of Mr. Wood when we're done with Mr. Elliott.

JUDGE PRIDGIN: Thank you. Anything further for Mr. Elliott, Commissioner?

COMMISSIONER GAW: I do not have right now.

JUDGE PRIDGIN: Let me see if we have any other cross from counsel, Mr. Fischer.

MR. FISCHER: Your Honor, I don't want to prolong this, but I do want to ask one important question while we're talking about these exhibits.

CROSS-EXAMINATION

QUESTIONS BY MR. FISCHER:

Q. Mr. Elliott, would you agree with me that your exhibits that you've introduced regarding the order of Iatan II that it's going to be dispatched, would indicate that there are benefits to adding a state of the art coal plant into KCP&L's mix today, rather than adding, say, CT's to meet additional load down the road, from an economic standpoint?

A. From an economic standpoint, you're basically putting in a more efficient coal-fired unit, which is going to be cheaper fuel, and more efficient so you'll get more megawatts per ton of coal. And as I tried to show here, it's going to be dispatched very early in the dispatch curve, and it will save money because it will be using less fuel.

Q. And based on your analysis of the MIDAS run, you don't have any concern that this is by far the cheapest present value revenue requirement that KCP&L could have to meet its additional load?

A. From what I've seen, yes.

Q. Thanks.

JUDGE PRIDGIN: Any further cross? All right. Seeing none, Mr. Dottheim, do you have any redirect?

MR. DOTTHEIM: No redirect.

JUDGE PRIDGIN: All right. Thank you. At this time, let me go ahead and call Mr. Wood back to the

stand.

Let me ask you to be sworn. I think you've been sworn earlier in the hearing, but just to be safe, if you'll raise your right hand to be sworn.

(THE WITNESS WAS SWORN.)

JUDGE PRIDGIN: Mr. Wood, if you'll have a seat, and I believe you've already -- Mr. Dottheim, you've laid the foundation for Mr. Wood earlier in the hearing; is that correct?

MR. DOTTHEIM: That's correct, we went through his education and employment history and what have you.

JUDGE PRIDGIN: All right. We'll go ahead and proceed with cross-examination, Commissioner Gaw.

QUESTIONS BY COMMISSIONER GAW:

Q. Good afternoon, Mr. Wood.

A. Good afternoon.

Q. I thought I was done questioning you.

A. I thought I was going to be first up today, so we were both wrong.

Q. I'm the one that's usually wrong. So if -- the other day when I was asking you questions, I did go to those people that I thought you asked me -- I thought told me I should go to, so I'm back with you again.

A. Okay.

Q. So did you do -- did you do an analysis of the

load that KCP&L has and is projected to have in -- and what generation mix best matches that load?

A. Does your question relate purely to does the load match the generation or are you asking me a question regarding the rate of load growth?

Q. No, you turned that around a little bit because I would say does the generation that's going to be -- that's proposed to be constructed --

A. Uh-huh.

Q. -- make sense in light of the peaks and valleys of demand that are forecasted in the time frame that we're discussing here in the next several years. Did someone on Staff do that analysis?

A. There wasn't one run per se that does that analysis, it doesn't operate that way. There were literally hundreds of runs. But once again, these are runs by Kansas City Power & Light on their model with us looking at inputs. And then when those outputs come out, is it logical that we saw that kind of a change and does it compare with what we see when we're seeing other utilities do the same kind of analysis. Is it consistent with what we see from Associated Electric Cooperatives and other potentially unregulated utilities that are looking at making changes, given the age of their units, the types of the mix of fuel type that they have, the natural gas price range versus sale price, but I

haven't answered your question directly, which is has Staff conducted some sort of review to confirm that the load forecasted by Kansas City Power & Light is being served by the generation. It might be helpful if I explain how the model operates to match those two.

Q. Okay. I want you to do that. Let me ask you this, though, first, because I have seen at other times in presentations, perhaps, or other things, where there is a graph --

A. Uh-huh.

Q. -- that shows the peak that occurs throughout the year on a daily basis --

A. Uh-huh.

Q. -- for the load.

A. As a 24-hour graph with actual.

Q. Yes.

A. And MIDAS does have an hourly dispatch within it, so it's looking at that kind of data.

Q. And then I've seen that matched up with capacity.

A. Yes.

Q. By generation and type of generation.

A. And that's why we provided a Dispatch Order exhibit in an effort to try to point out that there's a recognition of dispatch order to serve particular hours.

Q. What I'm looking at -- for is whether or not in this case, you prepared that kind of a document that shows the peaks and valleys on a daily basis projected going forward and matched that up with what generation KCP&L has, and is projected to have, if the stipulation is -- or the recommendation, as it is, were to be found to be in the public interest.

A. Well, you have --

Q. Did that document ever come into existence?

A. There is not a document, because you look at --

Q. Because I'm looking for that.

A. And if we had -- if it were one unit, one run by MIDAS that had all that information in it --

Q. Yes.

A. -- I would be very happy to go up and make 15 copies of that and distribute it, but there's hundreds of runs.

Q. Why is it that I've seen that kind of a document in other -- in other arenas before, but I don't see it here? Is it because that document is not worth as much as what we have in front of us already, perhaps? I mean, I don't know.

A. What you were looking at was one run with a set of -- with an expected load pattern with particular fuel

prices with a particular set of resources available. And what you were -- well, presumably, if I'm thinking of the kind of stuff you get if you look at a MIDAS run is you had available to you what was running to serve particular hours of the day and when other units were switched on and off.

Q. Yes.

A. And can you recall for me was it a graph that had several spikes and showed the different units, or did it come down with a smooth curve that had sort of a load duration curve? Hopefully that means you can stay.

Q. It does. I'm glad you said hopefully. It means I may stay longer.

A. Okay.

Q. I'm looking for the one that has -- that shows particularly the valleys on a -- on the sharp side downward, so that I can understand how KCP&L's base load capacity, which appears to be fairly high in comparison with some other utilities. That is not a criticism. It appears to be fairly high. I want to know how that matches up with their need for base load, if -- and I want -- I'm looking to see that in a picture, and I don't -- no one seems to have it, so ...

A. Well,

Q. Give me something that's a substitute.

A. Okay. Well, what I've described, in order to show you a graph like that, we would have to go to a

particular load pattern, particular prices, and type of units.

Q. Was that done?

A. Well, it was -- in the MIDAS model, it was done for 8,760 hours of a number of years in hundreds of different runs, okay, in order to come back and say, well, this is the lowest present value revenue requirement and this is the lowest present revenue requirement. And it differed depending on what you were doing in your natural gas prices, your purchase power prices, and your sale prices, your capital costs. So I don't have one diagram, per se, and I wish it were one MIDAS run that included all that, but it wasn't, it was literally hundreds of runs.

Back to your question, which I think you indicated maybe the root of the concern, and that is if you look at the low points, okay, we've talked all about the peaks and we've talked about the energy and all that, but you're interested in the valley, and how can you justify if your valley is half of your peak, having 65 percent base load capacity. Is that -- am I?

Q. Yeah, I think -- yes, I think you're hitting on it.

A. Okay.

Q. And I'm looking -- and I'm not sure that it's -- I mean, I've got one graph here that's got over 70 percent

of base load showing in 2010. If I include Montrose 1, 2, and 3 as base load, which I think is more appropriate, although I understand the argument of excluding it, I think.

A. In terms of operation of the load to serve native load, I think it's probably more appropriate that Montrose 1, 2, and 3 be considered intermediate. They may operate on a base load basis, but the difference would likely be for off-system sales, or you would be selling at potentially even nearly a loss in order to keep the unit operating.

Q. It is not -- isn't it true that -- that a significant part of the outcome here is based upon off-system sales?

A. Off-system sales is certainly one of the variables looked at in the MIDAS runs, and it does make a difference --

Q. How important are the off-system sales in making the decision for Staff in looking at these -- all of the factors? How important are the off-system sales in determining that Iatan II is the right thing to do from Staff's standpoint?

A. How important is it relative to other -- other variables? Is that kind of what you're asking about?

Q. If you want to answer it that way.

A. Okay.

Q. That would be fine.

A. The answer is it's important. How does it compare to other variables like should we build coal versus building natural gas? Well, to serve capacity.

Q. Aren't those things so interrelated as to be --

A. Yes, they certainly are.

Q. -- impossible to divide?

A. Yeah, but if you came to me and asked, well, should it be just natural gas or should it be base load. Well, there's a lot of things that get into that. One of them is the ability to do off-system sales, and the variable cost of the energy out of the unit. And coal unit obviously has a much better ability. And as you've noted in your previous SPP mark study that you brought into the record in the case, if you look at the SPP region, you'll notice they're pretty heavy natural gas capacity, up over 50 percent.

Q. Particularly in the south.

A. Yes, yes, in particular in the south. And the ability to sell into a market where you're competing with a lot of natural gas is very important. And to the customers of Kansas City Power & Light, and the other Missouri-regulated utilities, who will likely be partners in this project, the ability to make those off-system sales is

certainly an offset to the risk of the overall capital cost of the project, so yes.

Q. If you couldn't make off-system sales, would Iatan II be viable?

A. Yes, and there was a scenario looked at for competitor response with all of the other coal units in the area built, and it still worked out to be a lower overall cost.

Q. Was Iatan II at this size, the right choice without off-system sales?

A. Yes.

Q. Okay. Explain that to me.

A. Okay. If I look at the -- if I look at the present value revenue requirement, and if I begin to look at what size is appropriate for the unit, especially if there's going to be partners in the unit, you can look at -- I lost my train of thought for a moment.

If you're looking at the overall size of the unit and you look at a smaller unit, if your present value revenue requirement goes up, then because you're serving it with some other type of capacity, that's one indicator that given that other group of inputs, that ideally maybe the unit should be larger, and as -- and as you look at other scenarios where they look at the timing of the wind or they look at different scenarios for cutting back the size of the

unit because of demand size management, energy efficiency, pretty consistently, you see the present value revenue requirement go up.

It's an argument pretty much in favor of moving earlier, and I don't -- and if need be, I can also talk about the risk of waiting later in terms of compliance with emission requirements and competition with engineering procurement for the equipment because there's a number of other coal units planned in the region and outside of our state.

Q. We talked about those earlier.

A. Yes.

Q. Okay. But how much difference did it make to -- in the model when you excluded off-system sales?

A. I don't have the exclusion of off-system sales scenario, I only have the competitor response scenario where it cuts some into that ability to make off-system sales, but I didn't exclude it.

Q. So, okay, I want to make sure I understood you. Earlier what I thought you said you did, there was a run when it was excluded.

A. If I did, it was a mistake, it was a competitor response reduction in it, but it was not moved.

Q. All right.

A. That I'm aware of.

Q. So all of the assumptions made -- had all of the runs had an assumption that there is would be off-system sales?

A. I can't say that all of the ones, the ones that I'm familiar with.

Q. The ones that you're familiar with.

A. Uh-huh.

Q. You don't know whether if there were no off-system sales, this would be -- you would be making a recommendation on Iatan II?

A. No, given the capacity and the native load needs, it is my strong expectation -- and I can't say I've seen a MIDAS run to do this. It is my strong expectation, given their capacity needs and their energy needs, that even without off-system sales, it would likely be an appropriate resource addition. What would -- what it may change is how soon or how late you would retire the -- the nearly 60-year old Montrose units, okay.

Q. What was your assumption on retirement of Montrose?

A. Well, there's not one in this scenario.

Q. Okay.

A. But if -- if you don't mind, I would very much appreciate an opportunity to talk about what, in terms of flexibility, what Iatan II provides us versus discussions on

Montrose in the future, although you'll notice Montrose is not in this regulatory plan.

Q. Sure, go ahead if you want to. I'm going to come back, but ...

A. Okay. I know better than to think you're about done. In looking at the -- the Montrose units, we have three units that are coming in on 60 years of age. Okay. Actually, when I was at Black & Veatch, I did some of the work on those units in order to bring it back into emissions compliance.

In looking at those units, their age, and especially their ability to comply with upcoming changes to Clean Air Interstate Rule, Clean Air Mercury Rule, there are some real concerns with investing the potentially hundreds of millions of dollars to bring those units up to compliance with emission standards. And their heat rates are certainly, you know, they're not as good as Iatan I or II.

We've talked -- put quite a bit of time into load forecast and growth rates, and one thing I would note is, you know, we're debating quite a bit over a couple of portions of a percentage point. Let's say that that's -- let's say that that growth rate was high, or low, or right at the expected. Staff was aware that, you know, the only sure thing about this forecast is it is not right. It will be somewhere in a range. We can't say that it will be this

number with any high certainty.

So what do we get into if -- if, let's say for a moment that some of the parties that said energy efficiency and higher electric prices will bring -- will flatten the demand growth rate almost entirely. If that happens, and Iatan II is built, what we will have are options toward retirement of Montrose, or potential, you know, future provisions to put in some other type of capacity, but those retirement options will be therewith Iatan II in the fleet.

If we are dead on with our forecasts in the base case, then we, you know, Iatan II will be operating, and we would have a period of time over which to consider retiring Montrose, possibly with replacement of a more efficient unit, possibly with -- if natural gas prices come down, a combined cycle unit, or possibly if the time frame permits and the technology is mature, IGCC.

Let's say that we're low, and the growth rate is higher on both peaking and energy all around. Well, we would have Iatan II operating, and we would have options to look at keeping Montrose 3 on while A replacement unit was built in the same region, near Montrose or maybe another unit on the Iatan site. Once again, with the options of possibly combined cycle, If natural gas prices have declined, and/or IGCC, or another supercritical unit.

Q. I've had several Staff members come up here

and testify that they have not independently verified information that was provided by KCP&L.

A. Uh-huh.

Q. Can you tell me whether or not that was as a result of not having sufficient time to do this case or whether or not it would never be Staff's policy to verify the numbers that were not verified in this case?

A. I would say the particular individuals you questioned, some of them looked at different levels of independent information, some of them looked at SPP information, some was plats, there was a 2004 Henwood study, some of the information provided by, although it was under a KCP&L banner in the exhibit, it wasn't independent information. I have looked at the plats information, confirmed that what was provided by KCP&L, they didn't doctor the numbers or play with the diagrams. What was here was here.

Q. I'm not suggesting they did.

A. Okay.

Q. I'm asking whether or not Staff did any kind of independent investigation of the numbers that were put in and whether or not it's Staff's policy to do so.

A. It is not Staff's policy to take information directly from the utility without some sort of independent review, at least at some level, to confirm that this

information is consistent.

And I would -- and many of the parties here, although it wasn't brought up, many of the Staff that participate in these proceedings also -- also work in the -- the meetings that take place twice each year with all the other regulated utilities, you know, Kansas City Power & Light, also Empire, Aquila. And Aquila is under Missouri Public Service Central Light & Power, and Empire.

And it's -- when you see some of these numbers, it just falls right in line with what you've seen from other utilities, and you don't feel an urgent need to go independently verify it. You've seen these kind of numbers before. They're consistent with the numbers you're getting from the census from the counties in the state, which I think we received from ACI here recently. And we look at associated long-term affordability and growth rates in counties.

It's consistent with the information that's currently published on our Internet site with the Missouri generation transmission round table we conducted in 2003. I think given the opportunity in going back and looking at what we did, I wouldn't -- I can't agree that the places where Staff has indicated that they didn't do some sort of independent study, that they didn't have some feel as to what the range of numbers should be based on independent

information they looked at before they received the Kansas City Power & Light information.

Q. So is the answer to my question that if you had more time, you would have done exactly the same amount of verification on the numbers in this case?

A. No, I wouldn't say that.

Q. Okay. What would you say, then? Would you have done more?

A. I would say the Staff in this case are pulled in a couple different directions. We have a lot of cases going on right now, and you're well aware of that, I'm sure.

Q. Yes, I am, some of them.

A. Given the time that you have, you take a look at the things that you consider most important or have the greatest likelihood to change what would be an appropriate final conclusion, and you review those items. If you had more time, you might do a second and third backup on that information, you know, do a little more Internet research, but you've got a time frame to get it done in and you do what you can.

Q. Is there anything in particular in this case in regard to numbers and verification of numbers or information that you feel more uncomfortable with than you would like?

A. If I could have a moment to kind of think

through the stipulation and agreement aspects, and I'm not answering regarding the amortizations and the financing, things like that, but in terms of the engineering and the timing of the unit, the emissions upgrades.

Q. With that qualification.

A. Yeah. No.

Q. Now, in regard to the -- the load forecasts and the MIDAS runs that were made on load, if I -- if I was looking back to -- where was I? -- on Page 16 of -- of Exhibit 49, and I look at the KCP&L required capacity additions.

A. Yes.

Q. Can you tell me what generation additions will neutralize the deficits and capacity in that curve from '05, after '05 through 012 -- through 2012?

A. Well, it changes at 2010, and by the way, this -- this is the kind of information that's been provided to us on numerous occasions through our biannual meetings with each of the utilities, Kansas City Power & Light, in particular, in this circumstance. This curve here does include some -- some changes in purchase and sales, contract purchases and contract sales over the time over which this 2004 to 2012 time frame.

It also includes the SPP reserve margin, which was a question earlier. It does include that. Now, your

question is what capacity additions will alleviate the -- the gap or the shortfall in megawatts that's forecasted here. Well, between now and 2009, the expectations under the regulatory plan, those will be short-term power purchases.

Q. Okay.

A. Okay. Beyond 2010 --

Q. On contract or on market or ...

A. It's my understanding that to the degree that those can be handled with contracts over the time frame before the unit is up and operating there, I expect there may also be some spot purchases.

Q. Okay.

A. Okay. 2010 on, the expectation is there is Iatan II.

Q. Okay. Now, we talked the other day about off-system sales percentages, and we wrote them off-system sales for the last few years.

A. Uh-huh.

Q. Match that up for me and make it -- help me to make it make sense in light of what appears to be capacity deficits over the next few years. How can -- how can, and I know you can answer this: How can there be increasing off-system sales at the same time that within a year, I'm looking at capacity short falls?

A. How can there be energy sales when there's a

capacity shortfall?

Q. Which -- well --

A. Which is what this is illustrating.

Q. It appears to be plausible that that's going to be occurring.

A. Certainly. And the way that you would do that is you would have capacity -- capacity-type purchases, short-term, you know, from combustion turbine, combined cycle units, maybe intermediate gas-fired units, that would be able to serve those peak periods. But as you've talked about earlier, there are times when you're not going to need any of those contracts, and you're going to have some coal-fired generation capacity or units that are setting that you don't need all the power from.

Q. And if I had one of those little graphs that went up and down and up and down and showed me those peaks and valleys on a daily basis, I could probably see that in front of me, couldn't I?

A. If you had a color marker, I would be happy to draw it here, because yeah, it's those time frames when your native load is lower than your total stock of low cost generation sources that you have the opportunity to sell the difference --

Q. In particularly --

A. -- in off-system sales.

Q. When I have a large amount of base load capacity in my portfolio --

A. It certainly increases the likelihood you could do that.

Q. -- which is, in essence, what KCP&L has.

A. Actually, in looking at the statewide overall numbers.

Q. Yes.

A. If that might be helpful.

Q. I don't know. If you want to do that in light of my question, go ahead.

A. I do, because I think you may find it somewhat relative -- or relevant. If you look at -- back in our 2003 round table, we did a total state assessment on Missouri generation transmission. At that time, there was some information presented by Ryan Kind, I believe, at that round table.

And this is on our Internet site, and he was providing EIA information, and I would note that at that time, total base load capacity for coal in the state was at about 65.1 percent. And actually, if you add nuclear to that, it's another 6.7 percent. So we're up -- we're up over 70 percent on statewide average for base load.

Q. If I look at that average --

A. Uh-huh.

Q. -- what utilities are included in that?

A. That is all of our regulated utilities, municipals and co-ops, total state.

Q. Okay. So -- and what are my biggest electric utilities in the state?

A. AmerenUE, Kansas City Power & Light.

Q. And what is the biggest nonregulated?

A. AECI.

Q. And would you say all three of those entities are fairly heavily base load weighted?

A. Yes, I would.

Q. Yes. Now, I don't mean to be asking these questions, by the way, to insinuate that I'm against base load capacity, as some other utilities who have heard me asking questions in the past who may not be so inclined, would be able to testify.

A. Yes.

Q. But I am trying to -- I'm just trying to understand how these two things fit together. Now --

A. Okay.

Q. -- do you have anything that you've seen on these MIDAS runs that -- that you might have on a piece of paper or something that would help me match those things up?

A. That.

Q. In those hundreds of MIDAS runs, was there a

piece of paper generated on what you anticipated the future to hold on load, matching it up with the capacity that is planned under this recommendation, that's in the nonunanimous stip?

A. One of the issues you hit on there was crossing generation with load, okay. The model does that every hour for the change in load, every hour through the year for throughout all the years the model is run, okay. I've seen how the model runs, I've seen the output runs from two --

Q. My problem is I haven't seen it, so I am looking for someone to tell me what they saw.

A. Well, I know it does that.

Q. Or show me something that would give me some sense of what you were looking at.

A. Okay.

Q. Because I don't -- I don't have that. I only have you-all coming in here testifying that all these things took place, but I don't have anything as a product that I can put my fingers on here.

A. I'm not sure I quite understand what your question is.

Q. Let me put it this way: My daughter has this saying that she has. She's three, right.

A. Okay.

Q. And she sees something when she can't quite reach.

A. Uh-huh.

Q. She says can I see that with my fingers. That's what I'm looking for is something like that. I want something I can -- that's been produced that matches this load with the capacity, the additional capacity and existing capacity all mapped out for me. You haven't seen anything like that, have you?

A. Well, the closest thing that we may have given to you in that regard is the Dispatch Order, and what that is is an illustration of the order in which you dispatch units to serve load.

Q. But that would be true regardless of what the load was, wouldn't it? The Dispatch Order is always going to go from --

A. Lowest to highest.

Q. -- lowest cost --

A. Uh-huh.

Q. -- to highest cost to run.

A. Unless you have some minimum run time.

Q. But that doesn't say anything about load, does it?

A. Well, it certainly has a lot to do with the capacity in where you are at this particular point in time on

which units you're dispatching.

Q. Do you have something that goes from points -- from one point in time to another to another? Because all I saw was that one document, just generally.

A. Yeah, it shows that they dispatch them in this order, it doesn't show -- I mean, are you -- are you looking for an illustration of -- for this kind of a daily load, these are the, you know, this is different than what the units would be that would be serving that?

Q. Yes, that would be very helpful.

A. Okay. Well, I mean, I don't think something like that would be hard to generate.

Q. But it wasn't generated up to this point in time that you know of?

A. Not outside of, you know, just like MIDAS information you would look at and say this is up, and this hour it wasn't, and in the end, it was all run in an effort to create the lowest or the lowest cost of the utility for that day.

Q. Let's go to this one -- where was that page at? I don't remember what page it's on, but the bottom line on one of these documents suggest what the cheapest or most cost efficient, additional generation would be to add, and that's already been cited to -- at some point. I forget what the page number is on the exhibit, but it shows that the

Iatan II plant is the most cost efficient.

A. The base assumption, I believe it's Page 27 of the exhibit that we were looking at earlier.

Q. Which exhibit?

A. Exhibit 49, I think.

MR. FISCHER: Number 49, your Honor.

THE WITNESS: If it's the base assumption, it's Page 27.

BY COMMISSIONER GAW:

Q. I apologize to the poor KCP&L witnesses that are having to go over the agony of this. So looking at -- looking at that -- that is the ultimate conclusion, is it not, of all the MIDAS runs that were done?

A. For the base assumptions, that is, but it -- it doesn't reflect a lot of the high load risk scenarios that were also looked at. But for the base assumptions, technology and timing, this is what you have, but it's one of multiple runs.

Q. Does this conclude -- does this conclusion match up within it before it actually gets to this final conclusion, all of the load requirements of KCP&L with the generation that's proposed or as coal versus combined cycle versus CT additions? That's what this does on Page 27, right?

A. Yeah, this matches up the base assumptions

that are currently reflected in the regulatory plan.

Q. Matches them -- matches everything up including the load projections?

A. The -- the middle, you know, the 1.4 peak and the 1.8 energy. It doesn't, you know, you have to get into the other runs to start looking at what if it were higher or lower on peak and energy, but I think the answer to your question is yes.

Q. But does it match up the type of load and the peaks and valleys in the demand throughout the year that are projected to occur based upon history and certain additions on additional load? That's part of what MIDAS does, isn't it?

A. Yeah.

Q. Takes all that into account?

A. It takes hourly patterns into effect, it takes the dispatch of the units.

Q. Right.

A. And the different assumptions you've made for fuel price and things like that.

Q. Right. So would you tell me that even though you can't produce this document that I so urn to see.

A. And you will have next time we get into this, but you know, it's just matter of no --

Q. That all those factors and numbers that would

show up on that document would have been included in the MIDAS runs that were done in order to reach the conclusion that you have on Page 27?

A. I'm wondering do --

Q. I thought that might be an easy question, but maybe it wasn't.

A. Well, there was a lot of stuff in there, and I'm trying to qualify each of the things that you mentioned that they are in here. This has the base assumptions for load growth, the generation assumptions --

Q. Has the generation assumptions --

A. -- the gas prices, the transmission constraints.

Q. Does it have the assumptions on the load and the peak demand and the low side on the demand on a daily, hourly basis or whatever -- however many times they break it down, factored in when they run the MIDAS model?

A. The 8,760 hour, low, high, peak energy, yes.

Q. All of that's in there, right?

A. Yes.

Q. And ultimate conclusion is that Page 27?

A. Uh-huh.

Q. For this run, with certain base assumptions?

A. Well, this isn't one run.

Q. Okay.

A. This involves different timings for when you put in Iatan II as well. It -- the run didn't come back and do all these different timings in one run. It came back and said, okay, well, let's add it in 2010, how about 2011, and then you end up with these present for each of those different timings.

Q. Okay. On 2008, is that one run or three?

A. 2008, from what I see here, it runs one run at combined cycle.

Q. Right, 2009, is that two runs?

A. I think that's two runs.

Q. Yes. With all of the base -- base assumptions being the same, except changing -- changing it from one run is for coal, one for combined cycle?

A. Yes, I believe that's the case.

Q. But the base assumptions are the same in these runs?

A. Yes, that's my understanding.

Q. And then 2010 on out, et cetera, you've got two scenarios, one for coal and one for combined cycle. And then you had something for combustion turbines there.

A. Runs various in there.

Q. Before you added them?

A. Well, cross the range, it was 10,305.

Q. Is that an average of something?

A. I don't recall if they ran that for each of the years, it just -- it was clear from the type of load pattern we had that it wasn't going to come out as an optimum.

Q. Okay. The bottom line, though, is that those numbers that I want to see, they're in here somewhere, in the runs that generated these numbers?

A. Yeah, yes. Actually, in order to come up with these kind of present value revenue requirements that each of these different height of these bars represents, that represent fuel, purchase power, sale power, natural gas, load growth assumptions, all of that goes into what it took the utility over these number of years to serve that load, and the height of bar, you know, the model is trying to come back and come up with the lowest number it can there.

Q. I understand.

A. Okay.

Q. Do you recall in this -- in the base assumptions, on 27 --

A. Uh-huh.

Q. -- what the percentages of off-system sales look like in those years?

A. For the different years that it operated, no, I don't.

Q. Have any idea of what it might have averaged,

a number that might have stuck with you?

A. Huh-uh, I don't remember.

Q. Anything similar to what their off-system sales are today?

A. It varies a fair amount through the history of it depending on how much energy you have to sell, and the power purchase -- or the power sale prices. It's not something that's -- I don't remember some sort of an average number. It's something that varied throughout the forecast period, but there were numbers in there for it.

Q. I'm sure. And Staff analyzed those numbers?

A. Well, you can compare -- as Dave Elliott talked about with his understanding, he runs the model in the rate cases, those fuel and purchase power prices, and the sales prices for off-system sales modeling, and it was my understanding from speaking with Mr. Elliott, that they didn't appear to be out of the range of reasonableness.

Q. Would anybody remember what those numbers might have been that's here for Staff?

A. I don't know who would necessarily. Without going back and digging through the runs, I don't know that any of us would remember right now what those numbers are.

Q. Maybe a KCP&L person might know that.

MR. FISCHER: Judge, can you clarify for me which numbers are you looking for?

COMMISSIONER GAW: What the assumptions were on off-system sales for the '06 system sales on the run on 27.

MR. FISCHER: Okay.

COMMISSIONER GAW: Just generally. I'm just curious about what -- if those numbers varied a lot from what they are today.

MALE VOICE: In terms of --

COURT REPORTER: I can't hear him.

JUDGE PRIDGIN: Yeah, we're going to have to -- I guess if he's going to answer questions, we're going to need him on the stand.

COMMISSIONER GAW: We can do that in a minute.

BY COMMISSIONER GAW:

Q. I'm looking for the percentages of off-system sales of the system because we've seen those percentages in the record of what's -- what's been going on the last few years, so I can see -- kind of see if that stays the same or changes much in the assumptions, in the base assumptions in the model, so -- but you don't know the answer to that, Mr. Wood?

A. Huh-uh.

JUDGE PRIDGIN: Let me go ahead and let me take a brief break so we don't have a Court Reporter keel over on us, and let's try to go back on the record. I see

five till 6:00on the clock. Let's try to go back on here in about ten minutes.

MR. FISCHER: Judge, for purposes of planning tonight, are you planning on finishing tonight or go tomorrow or are we ...

JUDGE PRIDGIN: I'm hoping to finish tonight rather briefly. I've had my hopes dashed so many times as you probably have. Let me check with the Commission here. I hope to wrap up fairly quickly.

(A BREAK WAS HELD.)

JUDGE PRIDGIN: We're ready to go back on the record. Mr. Wood, if you'll please come back to the stand, and I'll note that you are still under oath. I believe Commissioner Gaw has a few more questions for you, and we'll see if we have any other cross-examination.

THE WITNESS: Okay.

BY COMMISSIONER GAW:

Q. Mr. Wood, just real quick, the -- on the off-system sales issue, did Staff make any assumptions in regard to how off-system sales profits would be handled?

A. Yes. Actually, the stipulation agreement has language in it regarding off-system sales. I can either get it out of my folder.

Q. Are you the right one to ask?

A. I mean, I can read that portion of the

stipulation agreement into the record. That would be fine. But I'll need to get it out of my package.

Q. That's okay. If you don't know, I may ask Mr. Shallenberg.

A. Okay.

Q. Okay.

A. But yes, it was one of the issues of interest in this case certainly is how that was going to be addressed.

COMMISSIONER GAW: Okay. That's all I have. Thank you, Judge.

JUDGE PRIDGIN: Commissioner Gaw, thank you. Let me see if we have any other cross-examination. Mr. Fischer.

CROSS-EXAMINATION

QUESTIONS BY MR. FISCHER:

Q. Just to be efficient about it.

A. Yes, sir.

Q. Would you read that paragraph into the record on off-system sales?

A. Paragraph J on Page 22 of the stipulation agreement, I believe.

Q. Yes.

A. Okay. KCP&L agrees that off-system energy and capacity sales revenues and related costs will continue to be treated above the line for rate-making purposes. KCP&L

specifically agrees not to propose any adjustment that would remove any portion of its off-system sales from its revenue requirement determination in any rate case. And KCP&L agrees that it will not argue that these revenues and associated expenses should be excluded from the rate-making process.

Q. Mr. Wood, does that indicate to you that the higher the off-system sales might be in the future, the greater the benefits to the Missouri jurisdictional ratepayers?

A. Yes, all other things being equal, yes.

Q. Would you agree with this statement that MIDAS is a state-of-the-art, integrated system dispatch model, and financial model used for forecasting budgeting resource planning?

A. It's used broadly in the United States and used by all four of our electric regulated utilities.

Q. I know you've had a lot of experience with Black & Veatch and other places. Do you know of a better model for looking at 8,760 hours of modeling of a complicated utility and trying to figure out what is a reasonable resource plan?

A. It's my understanding, given a review of the market, that our utilities have chosen the MIDAS model, and I would note that in Staff's review in its interest in possibly acquiring a model, I believe MIDAS was the model we arrived

at that we are most likely wanting to acquire in the future, funds permitting. I can't say it is the best model out there. I don't know that.

Q. Would you agree that this is a model that has been used in Missouri, including review by the Staff for many years, at different cases in different levels?

A. Yes, we've become somewhat familiar with its tornado chart that shows different risk factors, and their impact on the outputs and things of that information, so I'm somewhat familiar with it.

Q. And is it your understanding that this model allows you to do various sensitivity analysis on a lot of different inputs so that even if a specific number is not exactly a hundred percent right, you can look at whether it's off a little bit and what the impact on the final result would be?

A. You can run sensitivities and see how those -- those changes in inputs impact your outputs. It's one of the things you tend to look at quite a bit in the model to get a comfort level with the conclusions you're reaching.

Q. And you've heard John Grimway's testimony that discussed the nature of those sensitivity runs that KCP&L has done?

A. I have, and I've discussed them about Staff during the proceedings of this case.

Q. And would you agree that he -- that KCP&L did run a lot of different sensitivity runs to determine whether high gas prices or low gas prices would affect the outcome, and a lot of different inputs like that were looked at?

A. The ones I personally looked at were probably in between 15 and 25 runs, and some of the sensitivities I was particularly concerned with, I can't speak to the total number that Staff looked at. That's my understanding that hundreds of runs were conducted.

Q. Okay. And regarding KCP&L's cooperation in this case, did Staff have any trouble getting data from KCP&L in any of the areas that you were dealing with?

A. In the early proceedings of the EW docket, there were a lot of PowerPoint presentations given, a lot of data represented that didn't necessarily have backup documents, papers, run information, things like that. I wouldn't say it was immediate that we started getting that information.

It took a little while to start, you know, sometimes going to Kansas City Power & Light's office, sometimes having the information provided in CDs or whatever. I wouldn't say it was a flawless, immediate turnaround of data, but we did receive, I think, the vast majority of data we requested during the proceeding.

Q. And I don't recall a Motion to Compel or any

other phone call that this was -- there was a problem. Do you know of any?

A. No.

Q. Okay. Is it your understanding that some of the things that were looked at in the -- in the MIDAS model were natural gas prices, load growth rates, environmental regulations, including emission limitations and emission allowance prices, regulation of carbon dioxide and emission transmission constraints?

A. Yes.

Q. And based upon all those different sensitivity runs and those factors, is it your understanding that Iatan II was still the lowest present value revenue requirement, unless you look at the low natural gas scenario?

A. Yes, and it was appropriate there was -- there were scenarios with CO2 where you had to look at the high gas scenario that would go with a potential CO2 tax in order to keep Iatan II as the optimal resource.

Q. Is it also your understanding that -- that that analysis was done before the natural gas prices skyrocketed recently?

A. It -- the high, medium, and low natural gas price scenarios were all based on Natural Petroleum Council study conducted, I believe in 2003, late 2003, 2004, and it provided some -- one year of forecasted data that was

consistent with all three. And then it had three curves; one dropped down significantly, one was the expected National Petroleum Council and then one came up significantly. I would note that those forecasted numbers are all well below current natural gas market prices.

Q. Okay.

MR. FISCHER: Thank you very much. That's all I have.

JUDGE PRIDGIN: Mr. Fischer, thank you, any further cross? Ms. Henry.

CROSS-EXAMINATION

QUESTIONS BY MS. HENRY:

Q. You mentioned that if Iatan II is built, you said it will have the option to retire Montrose. Can you tell me how the idea of retiring Montrose would fit in with the Staff's support of the stipulation?

A. Okay. Well, we have a long-term interest in serving -- well in Kansas City Power & Light being able to provide its customers with low rates and reliable service, and we recognize that Kansas City Power & Light has other utilities in the regions, municipals to buy power from, and other partners in the building of Iatan.

And this regulatory plan expires in 2010. We can't form all of our decisions based on purely what's going to happen between now and 2010. Ideally, regulatory plan

arranged to do what this plan does is done in an environment where you recognize that other resource changes may need to happen shortly after it, and that was one of the scenarios that I don't know frankly how much Kansas City Power & Light has thought about it, but Staff has thought about it quite a bit.

And that is if you were to build Iatan II in the time frame this regulatory plan involves, what sort of options do we have with Montrose, and how are those options changed by building Iatan II or not building Iatan II, and the sizing of the unit. Through building Iatan II, we potentially have options with Montrose in the post-2010 time frame we might not have otherwise. And hopefully I answered your question. If not, if you'll reclarify.

Q. Well, if Iatan II is necessary to meet the growth rate, that's with Montrose existing right now, that's the growth rate projected, then how would the growth rate be met after 2010 if Montrose were retired after 2010?

A. As I -- maybe I wasn't clear earlier, and my apologies for that. If we look at the scenario where there is no load growth, or let's take the scenario where there's only a small amount of load growth, and it's completely absorbed through the demand side management and energy efficiency in the time frame that Iatan II would be built.

At that point in time, we would have, you

know, approaching 500 megawatts at the total Montrose site, 1, 2 and 3 site combined, and we would have a new 500 megawatt Iatan II resource on Kansas City Power & Light's books. You would then have the potential option, especially considering the hundreds of millions of dollars necessary to bring the Montrose unit -- Montrose units in compliance with emission requirements to retire Montrose all together.

The other scenarios you deal with are if the forecast are as the base case assumption or there is a higher actual growth rate than what's forecasted. Under all of those scenarios, Staff believes the regulatory plan provides options with Montrose that we might not have otherwise.

Q. You also mentioned something that really woke me right up when you said is that if you're low on the growth rate predicted, you'll have an option to build a third unit on the Iatan site. Can you tell me what the Staff is thinking building a third Iatan plant?

A. Well, and once again, there's nothing in a regulatory plan, there's nothing in any sort of an agreement or any discussions of the type whatsoever, but looking into the future, let's say that we had a higher than anticipated growth rate, maybe two and a half, three percent over the next 10 to 15 years.

After Iatan II was up and operating, one of the options that would be there is building a combined cycle

unit, maybe if natural gas fire -- if natural gas prices have come down, maybe IGCC, hopefully the technology will mature and we'll see that come into commercial scale operation.

Another option would be something along the lines of retirement of Montrose 1, 2, and 3 and building of a Montrose unit on that site to replace all of those units, given their age and their emissions. And my full expectations looking at Montrose 1, 2, and 3 now and putting in a different unit there and retiring those three, you could very likely do it with a better overall heat rate and a better overall emissions than those three units currently.

Q. So if -- is Iatan II supposed to meet the growth rate for how many years after it comes into operation?

A. Well, if you -- depends on your assumption, somewhat, but if you take the base case assumption, the 500 megawatts would be slightly larger than necessary on the date that would come into operation, I think.

Q. The 2010?

A. Yes.

Q. And so then immediately in 2011, if there's more growth then we'll start doing another plant, is that the assumption?

A. You could potentially be looking at peakers. It depends somewhat on the type of load growth you've seen. If you're continuing to see a significant energy growth along

with your peak, you might be looking for more base load, maybe through a purchase contract, maybe combined cycle if natural gas prices retreated somewhat, or if it is purely peaking, you might just be looking at a CT addition or a simple cycle combustion turbine addition.

Q. Okay.

MS. HENRY: Thank you.

JUDGE PRIDGIN: Thank you. Let me see if we have any further cross? Mr. Dottheim, any redirect?

MR. DOTTHEIM: Just very briefly.

REDIRECT EXAMINATION

QUESTIONS BY MR. DOTTHEIM:

Q. If the Staff had -- excuse me. If Chapter 22 had been in effect, as opposed to have having been suspended, would the Staff have had more the information that it needed to perform its necessary analysis at an earlier stage?

A. Yes. I wouldn't say the data requirements would change significantly, but we would have had them earlier. I think we wouldn't have had to go through the development process in which data was needed, we would have had it up front.

Q. Is the resource monitoring provide for in the stipulation and agreement a continuing process?

A. Absolutely, and it's -- it's appropriate to note in this proceeding that regulatory -- that resource

monitoring was a critical compound into the parties in order to agree to this regulatory plan.

Q. Can the Iatan II decision be revisited by the parties based upon changes and circumstances under the stipulation and agreement?

A. Yes, there's a pretty long list of possible circumstances that would result in a re-evaluation of Iatan II versus other potential resources.

Q. Mr. Fischer asked you to read from a stipulation and agreement from Page 22, a section denominated off-system sales. Do you know whether the Staff has had any conversations with Kansas City Power & Light regarding any possible changes in language in that section as far as tightening up that language based upon language that has been discussed with any of the other potential partners of Iatan II in their regulatory plan proceedings?

A. Yes.

Q. So if the Commission were to approve the stipulation and agreement, would you anticipate that the signatory parties would be presenting to the Commission some language changes in that section on off-system sales?

A. It is possible.

MY DOTTHEIM: Thank you.

JUDGE PRIDGIN: Okay. Mr. Dottheim, thank you. If there's nothing further for Mr. Wood. Thank you.

What I'd like to do, since we're on this train of thought, is I believe the bench might have some questions for KCP&L witness Mr. Grimway, and I think concerning load, and then ...

COMMISSIONER GAW: I think it will be very brief.

JUDGE PRIDGIN: And then after that, we may have questions for Mr. Shallenberg from the Staff. Famous last words, that might be the end, but ...

(THE WITNESS WAS SWORN.)

JUDGE PRIDGIN: Thank you very much, sir. If you would have a seat, and Mr. Fischer, if I'm not mistaken, he's laid the foundation, we've got his direct testimony in, and is there any reason for us not to proceed directly to cross?

MR. FISCHER: Not that I know of, your Honor.

JUDGE PRIDGIN: All right. Seeing no objection from counsel, let me see what kind of questions we have, Commissioner Gaw.

QUESTIONS BY COMMISSIONER GAW:

Q. Mr. Grimway, I apologize for keeping you so long today. Let me ask you, you've been in the courtroom today or in this afternoon's proceeding pretty much all day, haven't you?

A. Yes, I have.

Q. And you -- you did -- were you principally reasonable for the running of the models in the MIDAS program?

A. Yes, I was.

Q. If I look at this Page 27 on Exhibit 49, which I think you're probably familiar with, it shows the Iatan addition as the lowest cost alternative. And if I look at that, can you tell me what kinds of assumptions and outputs were made in that run on off-system sales?

A. Yes, just in general.

Q. If you need to correct my question in order to get to the answer, feel free.

A. In general, the way the model works and way the analysis works in the way we set it up is that when we compare an Iatan II alternative to the combined cycle alternative, CT alternative, which I believe are the three that we ran in that particular scenario, we set everything to where all capacity reconciles back to what's necessary to maintain the 12 percent reserve margin.

So in the case of Iatan II, if there's excess capacity and excess energy, then it will sell that capacity and energy back into the market. In the case of the combustion turbines where there isn't a lot of available energy to sell from those resources and they -- they're smaller, they're not as lumpy as a large coal plant would be,

there isn't as much capacity and energy to sell into the market to get back to that 12 percent reserve margin.

Q. That makes sense. Would there have been some sort of a generalization you could make in regard to the base assumptions and what would have -- what I could have looked at on numbers on off-system sales if the assumptions were the ones made on Page 27?

A. Yeah, in general, without having the numbers in front of me, typically what we see and what we'll see up to the point that Iatan II is built, is a slight decline every year as KCP&L's energy grows along with its peak demand, that energy is absorbed or absorbs into the existing base load so that fewer off-system sales are made into the marketplace.

In general, there's this dynamic with natural gas prices that works with transmission costs so that if you see an increment in natural gas price to where you can overcome that -- that next degree of hurdle, there may be additional, as we've seen in the last two or three years, where with the increase in natural gas price, we did see a little bit more penetration of our base load into markets that didn't exist for us.

Q. I understand what I think you just told me, except I didn't follow you when you said transmission?

A. Well, transmission is --

Q. How that --

A. -- is a function of the hurdle to get into deeper areas of the market.

Q. Oh, I see.

A. If you know what -- and just with everything else equal, over the next five years as we grow into base load, we'll see a relative decline in off-system sales. And then when --

Q. I'm following that -- that part of it.

A. When Iatan II is built, we'll see a step up to some degree in the amount of off-system sales and there will be a revenue associated with an incremental price that's a function of the growing, you know, as we see gas price escalate over that period of time, the price of electricity will be reflective of that higher price for natural gas. And then we'll start declining down in terms of off-system sales as we grow into that amount of base load that's in the mix.

Q. Can you -- can you, from a -- from the assumptions that were made on Page 27, give me some idea of how the percentages of off-system sales relative to your total generation changes in that frame of time, which actually this starts in '08, but going out into the next few years up through 2013?

And I know I'm asking a lot there because there's so many different numbers you've looked at, but do

you have any recollection of if we made the assumptions that you made on Page 27 about what those percentages of off-system sales relative to total generation would look like?

A. I really can't get into exact percentages. I mean, we sell somewhere just slightly under, I think, around 5 million megawatt hours today --

Q. Uh-huh.

A. -- for generation that I think is slightly around 20 -- 20 million megawatt hours. Give you a frame of reference. So we'll grow into that over the next five years, and then we'll see probably an increase in off-system sales that will probably reflect something close to what we have today. I don't think it will go a whole lot higher than that from what I've seen.

Q. The numbers that I recall being testified to earlier on over the last several years, historically, seem to suggest that off-system sales were on the increase, which could be accounted for for many factors including the increased cost of natural gas among other things, I assume.

A. Yes, natural gas is one function. The other function that's not really being mentioned in any of the data that's being thrown around is the fact that when you have a cold summer like we had in 2004, and you have reduced native load demand, which we've had with decreases in GST steel and

some of the Sprint effects, is that when you don't see those -- those requirements to sell to native load customers, then if energy is available to sell into the wholesale market, which provides somewhat of a natural hedge to that type of demand fluctuations from, you know, from a financial perspective.

Q. I understand what you're saying. I think someone testified to the -- those -- that being -- when weather was accounted for, adjusting those percentages, but they still seem to be on the increase between '99 and '04. Would you agree with that or do you recall?

A. Yes, I would agree.

Q. And the last figure, with the weather taken into account in '04, someone testified, I believe, to 27.5 percent. Do you know, based on what the model you recall, do you know when those -- when that number starts shifting back the other direction over the next few years, as you've already testified to, you say it will do that, I think, if I'm following you.

A. Yeah, and again, some of the things that drove that up were better unit availability as we focused on those types of components of our plants that were creating forced outages or forced durations. We've made a significant effort to improve the availability of our units. We've added a 24-hour desk on our marketing. We have individuals that can

basically sell into the market on a 24-hour basis, which has increased our penetration to some degree, better utilization of our existing fleet.

Q. Uh-huh.

A. And with the price of natural gas going up, it has allowed us to penetrate into other markets. All those things being held equal at that point --

Q. Okay.

A. -- with assumptions that we're not going to see changes, we will, you know, grow into that base load to where we will see declines starting next year.

Q. That's what I was after. Starting next year, you expect declines, and you expect those declines to continue to occur until Iatan II is built?

A. And we see that in our annual budgeting that we look at every year when we're looking at the balance of fuel and interchange against the budget.

Q. Do you have any recollection with those assumptions being the same in 2009 about how far down that goes on percentage of off-system sales?

A. I don't. What I do know is when we run the analysis that we run looking at revenue requirements, you know, we look at the timing, because coal plants are -- in order to build them in an efficient manner, you have to build them fairly large. So your -- you can't satisfy your annual

needs the way you can with a combustion turbine where you can fairly closely match the 70 to 85 megawatts that a company like Kansas City Power & Light needs on an annual basis.

So the timing component is an interesting one to look at because as you advance it sooner, you're basically incurring costs to ratepayers for the net present value of having an investment that becomes sooner, but that's offset by the amount of revenue that you can get in the wholesale marketplace by making that investment sooner. That's in contrast to a delayed timing to where the incremental cost associated with declining wholesale sales and increased use of natural gas, increased marginal cost to purchases becomes a balance as to, you know, where the net present value of those revenue requirements optimize.

And in the case where you look at what the analysis indicates is with natural gas prices indicating to be higher than what was forecasted with a normal load, the 2009 to 2010 would be the most optimal for the timing of this plant.

Q. Okay, just very, very briefly, on one of the pages, which I don't want to try to go back through, there was a suggestion that if you just look at that page, that a later year, actually, would be -- would actually be better from a price standpoint, if I recall correctly. Can you explain that and why that isn't really so in the big picture

if I'm correct with my assumption in that question?

A. Yeah.

Q. I think I can find that page.

A. I think I recall. I think if you look at the relative -- this is an analysis that not only looks at a coal plant, but it looks at a lot of other components of our portfolio that we're trying to optimize here. And the analysis that we've done isn't based on one set of variables or one set of numbers, but it's based on a series of uncertainties and a series of alternatives that we're looking at trying to get a full understanding as to what the dynamics of the decision-making process are, which is very consistent with what we've done in the past with the IRP rules when they were fully in place.

So the one scenario that shows, I think the one you're referring to, shows a slight difference in revenue requirements between a 2010 decision and a 2012 decision. From a planning perspective, you look at that and you're fairly indifferent to the timing between 2010 and 2012.

And it's the subsequent analyses around high gas price analysis, high load, some of the other uncertainties with what you have to do from an environmental compliance standpoint with units and unit outages that really creates the -- the more compelling argument to do it in 2010 as opposed to wait.

Q. You're saying that the numbers that might show that 2012 might be more optimal don't necessarily reflect those factors that you just mentioned?

A. I'm sorry, I didn't quite understand that question.

Q. The numbers that might show on that one graph, that 2012 might be more optimal in price than 2010, might not take into account some other things, such as environmental costs, and other things that may -- may move the decision to an earlier date?

A. Well --

Q. Am I following you?

A. The environmental scenarios aren't necessarily embedded. There are other environmental scenarios that were done, they're embedded in our runs that were made.

Q. Okay.

A. I think what I'm saying is that when you look at the delta, or the difference, in revenue requirements between a 2010 timing and a 2012 timing, from a planner's perspective, that's a relatively indifferent difference, so you're indifferent as to whether it's 2010 to 2012 based on solely that information.

You really have to rely on the full analysis to bring into all of the issues that can happen in the marketplace, in our portfolio, and what we have to do to

comply with the environmental regulation that moves it more to a compelling argument for 2010.

Q. And I'm wanting you to be specific on this point for this reason. If -- from a ratepayer's standpoint, it is not an indifferent question, if you can put it off for a couple of years and it's still -- it looks -- looks like it's even perhaps lower in cost, so you're telling -- but KCP&L's position here, and I assume those that signed off on the nonunanimous stip is that there is more to it that makes it more optimal as a decision to be built in 2010?

A. Correct.

Q. And I'm -- I'm trying to get you to tell me specifically what those things are.

A. Well, I think the key driver is natural gas price.

Q. Okay.

A. And you look at the uncertainly of natural gas price today, you look at -- and I urge -- would recommend that you read the natural -- the National Petroleum Council's report that Mr. Wood referred to that was actually developed by the National Petroleum Council for the Department of Energy as a fairly comprehensive analysis to the fundamentals of supply and demands around natural gas in North America.

And it's a compelling analysis. It really looks at where they think supply is going to come from. The

declining resources that we're dependent upon today, and what the net effect would be in price if those supplies aren't generated through, really, untraditional resources of L&G pipelines to the Arctic and some really deep offshore drilling. So if you look at what's been done since that analysis has been written back in September of 2003 to today, there really haven't been any meaningful movements in the recommendations that they made to increase supply in the United States.

So it's more indicative of the high price scenario than the low price scenario at this point. And if you look at the high price scenario against the timing of Iatan II and what that risk is to ratepayers by delaying, it's rather significant. And I don't know the exact numbers without looking at them, but it's in the hundreds of millions of dollars.

Q. And that particular run on that page, which I'm not able to locate very quickly.

MR. WOOD: Page 27.

COMMISSIONER GAW: What is it?

MR. WOOD: Page 27.

BY COMMISSIONER GAW:

Q. Exhibit 49, Page 27. Thank you. That is based on -- those base assumptions are some sort of a -- has a range of -- or has a particular natural gas price built

into it, I assume, that is not reflective of the risk of a higher price natural gas that you're testifying to may be very possible?

A. Correct.

Q. So that -- that's one of the main factors is the concern that natural gas prices may be higher than what's built into the base assumptions by a significant amount or change in scenarios of the dynamics of this particular page as a result?

A. That is correct.

Q. Okay. There may be other factors besides that including environmental?

A. Environmental compliance is one that's not necessarily reflected in the analysis. We did a ten-year analysis, and we looked at what it would take to comply with Montrose, which I think our base assumptions, you know, would require something in the order of 350 to 400 million dollars worth of new technology to bring those units into compliance with Clean Air Interstate Rule and the Clean Air Mercury Rule.

There are alternatives to doing that, as I think Mr. Wood eluded to, to either building a new plant on the site or building a new type of technology, maybe IGCC would be more appropriate in that time frame if it becomes more viable, but we haven't really assessed in this

particular analysis. But having Iatan II available to where that unit could be taken out of service, or those units would be taken out of service for a given period of time, the economics would be much better with an Iatan in place than it would be not in place. And we've done some preliminary analysis around that that do have that indication. I just haven't included it in any of the testimony that we've had.

Q. Okay. Do you have any recollection about in the base assumptions that were made on Page 27 how often -- how much Montrose was running after Iatan II came up on a yearly basis? Do you have any recollection about percentage for Montrose?

A. For the various scenarios, with the CT scenarios, Montrose would be maxing out its capability and capacity factor for the Iatan II.

Q. I'm only talking about the Iatan II.

A. I haven't necessarily looked at that. I've looked at more effects of what the portfolio were as opposed to individual units.

Q. So you can't -- you don't know today without going back and looking at those numbers, what that assumption would have been on -- or what the result would have been on run time for Montrose?

A. Well, based on the scenarios that we did where we looked at high load, low load, and those are scenarios

that we make, you know, we make a general assumption that if you've got high load at KCP&L, the economic conditions of a KCP&L region are going to be somewhat reflected by a broader region, so a high load gross scenario is reflected throughout the region, as opposed to KCP&L, and a low load is effected through the region as well.

The sensitivities on those runs, and the sensitivity on the run that we made that showed a competitive response where too much coal was built, you know, we did see a reduction in revenue requirements or an increase in revenue requirements with the --

Q. Right.

A. -- too much coal being built. That would be indicative of a -- either a lower marginal cost or a market that couldn't support the marginal cost of Montrose. So I think either one of those scenarios would have probably showed the sensitivity of the operation of Montrose on the total effect to ratepayers. So while I didn't look at the numbers directly, those scenarios did pick up that sensitivity.

Q. Okay. You know it's in the model, you just can't tell me what that result would be --

A. Correct.

Q. -- particularly to Montrose?

A. Correct.

COMMISSIONER GAW: Okay. That's all I have, Judge, thank you.

JUDGE PRIDGIN: Commissioner Gaw, thank you. I don't believe I have any questions. Let me see if we have any cross. Mr. Dottheim?

CROSS-EXAMINATION

QUEESTIONS BY MR. DOTTHEIM:

Q. If I could refer you to Exhibit 49, and instead of Page 27, 28. Would that page, in part, reflect the high gas price scenario that you were describing in your answer to a question or questions from Commissioner Gaw?

A. This is one scenario of high gas prices we ran, yes.

Q. Okay. You referred to the Summer of 2004 being a cold summer. Could you provide some perspective on the Summer of 2004 compared to other summers as far as Kansas City Power & Light's experience was?

A. My understanding is it was the coldest summer since the probably the early 80's, in which -- which one of the early 80's, I'm not exactly sure, but it's one of the early 80 years, so probably over 20-some-odd years, this was the coldest summer that we've had, you know, had on record.

Q. Okay. Thank you, Mr. Grimway.

JUDGE PRIDGIN: Do we have any further cross? All right. Seeing none. I'm sorry, Mr. Fischer, I'm sorry.

MR. FISCHER: Your Honor, I don't have any redirect, but Mr. Grimway did prepare an exhibit to answer some of Commissioner Gaw's questions from the previous hearing that I'd like to have introduced or whatever is appropriate.

I can have him explain it or I can just introduce it. It relates to the Iatan site emissions expectations for the comprehensive plan, the present value revenue requirement of CO2 limitation scenarios, and then the wind production tax credit impacts. He had questions on each of those areas, so.

JUDGE PRIDGIN: All right. If you wanted to offer that, Mr. Fischer, I believe we're up to Exhibit 58.

MR. FISCHER: I would offer that, then, your Honor.

JUDGE PRIDGIN: Mr. Fischer, if I can get you to lay a foundation for that, please.

MR. FISCHER: Yes.

REDIRECT EXAMINATION

QUESTIONS BY MR. FISCHER:

Q. Mr. Grimway, during the last hearing that we had, I believe Commissioner Gaw asked you some questions on about three different areas, and we indicated we'd provide late-filed exhibits to address those questions. Have you done that now?

A. Yes, to the best of my ability.

Q. Could you just briefly explain what exhibit -- I'm sorry, what was the number? 58 -- what Exhibit No. 58 is designed to show?

A. Yes. I think there were three -- three general questions, and I hope I got them correct. The first dealt with Iatan site emissions, and the expectations with an Iatan II in place. And what we did is we went back to the output from the model and the assumptions for reductions in emissions for both Iatan I and Iatan II for sulphur dioxide, nitrogen oxide, mercury in particulate matter. And the chart that we show, showed the percent reductions on a total site basis as well as the assumptions for each of the emission levels pre and postcontrols.

Q. Okay. And then the second question related to the impact of CO2 limitation scenarios?

A. I think that question is in -- or this document is in response to a direct question about the net effect of the higher or more stringent carbon dioxide requirement or legislation, and we call that the Kyoto scenario. And we show the net difference, or change, in revenue requirements from the base comprehensive plan as a function of that scenario.

Q. And then the final area was on wind production tax credit impacts?

A. Yeah, the final one was on what the net benefit to ratepayers would be for the production tax credit associated with, in this particular case, the hundred megawatt hour project for 2006. And we showed it on both a total net PVRR basis, as well as an average rate base as to where we took the total net PVRR, and divided it by the relative kilowatt hours for that period.

Q. And did you prepare this exhibit?

A. I was responsible for the preparation. I had people on my staff actually prepare it.

Q. And is it accurate to the best of your knowledge and belief?

A. Yes, it is.

MR. FISCHER: I move for the admission of the exhibit.

JUDGE PRIDGIN: Any objections? Seeing none, Exhibit No. 58 is admitted into evidence. Mr. Fischer, anything further?

MR. FISCHER: No, your Honor, unless the Commission has other questions for KCP&L witnesses.

COMMISSIONER GAW: May I ask real quickly on this exhibit that you just -- that you just had?

QUESTIONS BY COMMISSIONER GAW:

Q. Just for translation purposes, since I don't know that I understand necessarily all of the -- all of the

letters there on here. HG?

A. Is a symbol for mercury.

Q. Okay. And PM?

A. Particulate matter on a 2.5 micron basis.

Q. Okay. Did you see that letter that was submitted by DNR here in the last two or three days, by chance?

A. I don't believe I have.

Q. I was going to ask them this question, but since you've gotten delved into this issue just a bit, maybe you can explain. It's just -- if we can't, it's fine. Mr. Fischer, do you have a copy of that?

MR. FISCHER: Yeah, Staff has provided me one.

THE WITNESS: I don't have my reading glasses, but I'll see.

BY COMMISSIONER GAW:

Q. Do you want to borrow mine?

A. Well, if you could ask in general, I probably could answer.

Q. On the -- there's a reference there to mercury on emissions on Iatan I and Iatan II, and then something that's referred to as federal, which I'm assuming is some sort of emission restriction, but I don't know. Can you see that well enough to give me an idea about -- if you can translate that?

A. Well, the -- as part of the Clean Air Mercury Rule, the federal -- the rule actually came out with specific requirements for mercury emissions, and it was based on primarily the technology and the type of fuel that that technology burns. So for a sub by two minutes, river basin type of fuel, the federal limit was set at a 42 pounds times ten to the minus six megawatt hours, I believe. Yeah. And this just reflects our proposed limit for the Iatan II, permanent 38 pounds times ten to the minus six megawatt hours.

Q. Okay. Now, what I was trying to understand is if I'm looking at that federal total, and then I look over the planned emissions, do I total those to Iatan emissions and compare that to the -- to the number over on the federal side or -- or something different than that?

A. Well, the chart that we prepared showed, to the best of our ability, the existing emissions from Unit I.

Q. Yes.

A. And then the reduced emissions that we expect to get from the controls that we're going to put on Unit I, and then the emissions that we expect to have from Unit II from the controls that we put on Unit II.

Q. Yes?

A. And I don't know how closely they -- you know, when we put controls, we control to something lower than the

permitted limits, so it's something lower than 38 pounds times ten to the minus six megawatt hours. But it's based on what we expect the equipment to perform at, so the percent reduction that we show here is a percent reduction from what we are measuring today. And measurements today are -- since we don't measure mercury on a regular basis, they're based on some tests that we do.

Q. Well, let me -- first, does this -- do these numbers on your exhibit match up with DNR's numbers?

A. They would be consistent with the limits that DNR and KCP&L has discussed for Iatan II.

Q. I'm just having trouble seeing their consistency, and I think I'm just reading it incorrectly. Are your -- do Mr. Fischer's glasses help well enough?

A. I can actually see for the most part, yes, so they're better than without.

Q. So I'm just -- if I look over there at the numbers at the top of that second page of DNR's exhibit or whatever it is, a letter to us, do I look at those numbers in that first column -- first set of columns or do I look down to --

A. Well, again --

Q. -- the lower level down there?

A. -- the number that's in theirs is a limit. And what we've -- what we're doing in ours is we're assuming

a rate. We're assuming an amount of removal based on a production rate.

Q. Okay. So the numbers would not match up?

A. They wouldn't necessarily, because we're always targeting our actual emissions to be lower than what the limits are. We don't operate up to our limits. We operate at something always below the limit.

Q. Okay. And if I'm looking at the limits that they have, they have 39 times ten to the negative six for Iatan I, and then the same number for Iatan II. Those are the limits for each -- for each plant?

A. Those are the proposed limits. And as a function of what we're doing with permitting of Iatan II is we are repermitting Iatan I based on the controls that we're putting on.

Q. Okay. And then on the federal -- on that federal column, that is the legal limit?

A. That is what the federal EPA is requiring of companies like KCP&L, and it is the target for states and how they direct the states to the involvement of their state implementation plans.

Q. Is that for both Iatan I and II when I look in that federal column?

A. Yes, it is.

Q. That's -- that's what I was trying to

understand. Okay. And then over -- now, how does that number relate to your number over there on mercury? Is that -- would it be 1.7? Would that compare to -- to the -- to 39? I'm looking for decimal points here to --

A. Help me with the 1.7.

Q. Well, I'm looking at the back.

A. Oh, I see.

Q. Maybe I'm looking at the front page. The staple is on the other side of the page. It's actually made for left-handers, which I appreciate.

A. That's in a different unit convention. That's in the pounds per trillion BTU's, which is an emission rate based on input.

Q. That's why it's difficult for me to compare these two.

A. The federal limit is based on a per megawatt hour, so they're slightly different as a function of heat rate and a function of a lot of things to bring those two together.

Q. So I really can't tell from this without having someone translate?

A. Correct.

Q. I won't worry about it right now, unless you can give me those off the top of your head,

A. I couldn't off the top of my head, because of

the differences in heat rates between Unit I and Unit II.

Q. But we wouldn't need the MIDAS -- or whatever the heck that is.

A. Only to generate the amount of --

Q. I'm kidding.

A. Yeah.

Q. We wouldn't require that kind of a program o solve this program?

A. No, you wouldn't.

Q. Just a simple handheld computer would do it?

A. Correct.

Q. But the numbers that you're expecting would actually generate a number lower than what you've got, what DNR has on their page?

A. Yes, the expectation is we always operate lower than the limit.

Q. Yes.

COMMISSIONER GAW: Okay. That's all I have.

JUDGE PRIDGIN: Commissioner, thank you. May this witness be excused? Mr. Grimway, thank you. Mr. Dottheim, are you ready to put Mr. Shallenberg on?

MR. DOTTHEIM: Yes. Staff would call, again, Mr. Shallenberg.

JUDGE PRIDGIN: Mr. Shallenberg, if you would please come to the witness stand and be sworn.

(THE WITNESS WAS SWORN.)

JUDGE PRIDGIN: Mr. Shallenberg, thank you very much. If you'll have a seat, I believe, Mr. Dottheim, you've put him on for direct, the foundation has been laid, can we go right to cross?

MR. DOTTHEIM: Yes, questions from the bench.

JUDGE PRIDGIN: Thank you. Commissioner Gaw?

COMMISSIONER GAW: Thank you.

QUESTIONS BY COMMISSIONER GAW:

Q. Mr. Shallenberg, good evening.

A. Good evening.

Q. I really am just wanting to get some -- a little information from you on off-system sales.

A. All right.

Q. How important is the off-system sales provision in this stipulation to the Staff's recommendation that this stipulation be adopted -- be -- be ruled to be in the public interest?

A. It's very important from the Staff's perspective in the sense that the off-system sales and the revenues from the off-system sales have a -- are a significant factor in economics of the infrastructure improvements that are contained in this agreement.

Q. Okay. So important that if -- if that weren't in the stipulation, would you have considered not signing

onto it?

A. Yes. In fact, it's important not only that they exist, but the treatment that they would be used to reduce the cost of the plant was an important consideration in the agreement.

Q. Okay. Now, it's been a long time since we had a rate case for KCP&L, a full rate case.

A. 1985, I believe.

Q. Okay.

A. Was the first -- what was the last rate case for KCP&L.

Q. This stipulation calls for -- calls for a rate case in the near future, correct?

A. It requires -- I think it's -- it mentions four and it requires two.

Q. Okay.

A. With the first rate case to be filed in February of next year, and that's a required rate case.

Q. Which would be -- which would mean that we would have to be to a conclusion by when?

A. I'm sorry, you mean in terms of conclusion of accepting this agreement?

Q. No, legally -- legally, that rate case.

A. January 1st of 2007, I'm sorry.

Q. 11 months.

A. Right, in fact, the start date is designed because the trigger for the effective date was January 1st of 2007, because it has an infrastructure improvement for wind that needed to be considered in that rate case, as well as it also has a rate design class cost of service because that hasn't been done for 20-some years. So the effective date of the rates was January 1, so the filing date was backed up 11 months from that period.

Q. Okay. Now, the -- if the Commission were to find that the recommendation in the stip is in the public interest, the off-system sales would be handled how?

A. In that rate case, the off-system sales will be considered as an offset to the companies other costs to calculate what its revenue requirements would be.

Q. Okay. And of course, rate cases are perspective, so when you're -- when you talk about that being built in, is it contemplated that there will be some amount assumed in rates going forward from that rate case as off-system sales in that be built into what the rates should be or some other method of -- of utilizing off-system sales in determining rates?

A. The starting point will be the off-system sales and the test year as specified in the agreement.

Q. Yes.

A. Then the parties will have the respective

rights to argue what is an ongoing amount to be included in the setting rates in that case. In studying the impact of the amortization that we have for financial ratios, that will be impacted by the recommendations as well. And in talking about it since we formed this agreement, that -- that interrelation could cause or influence the parties' positions as to big significant items going forward like off-system sales.

Q. All right. As I was listening to the reading of that provision of the agreement awhile ago, I wasn't clear about the length of time that the off-system sales portion of this agreement applies. Is there an understanding from Staff in regard to how far into the future that provision is applicable?

A. There's been discussions with KCP&L since the language was fashioned and signed to clear up the matter as to the term. We've also talked about the modifications that will come from the Kansas agreement, which by the way, until the Kansas agreement is actually approved which the Kansas Commission, that element is still open, and we've discussed with KCP&L a length of time that would be placed on how long that commitment would be made.

Until I've seen the actual supplement, I don't know that, you know, in facilitating all these meetings, things that I don't think are issues sometimes pop up, but

I'm not aware that we're going to have an issue with KCP&L at this time.

Q. What is Staff anticipating a length of time for applicability of that provision will be?

A. When we designed it, we didn't have a termination date with our understanding as to how long the commitment would be. In working on other regulatory plans and using that paragraph, we became aware that that was a potential liability, especially since there is a term -- there's another term language in the agreement that may be interpreted to actually define the term for it, so -- but at the time we signed it, we did not have an anticipated end date to that commitment.

Q. Is there -- what is the other term date in that agreement?

A. I'm trying to find -- unfortunately this agreement, its predecessors -- or its successors will have a table of contents.

MR. FISCHER: Page 57.

THE WITNESS: Okay. It has a term -- it says it will expire on June 1 of 2010.

BY COMMISSIONER GAW:

Q. All right. Now, if that provision were applicable to the off-system sales provision of this agreement, would that -- would that mean that off-system

sales from Iatan II, which is not contemplated to be constructed until 2010, would not be covered by this agreement?

A. What this does is it takes away the commitment that all of the revenues would be considered as an offset to the cost of Iatan II. A party could propose that. It doesn't make it a certainty. I mean, the Commission would still rule on that, but it would allow, if you interpret it to expire in June 1, 2010, you could have that issue brought before the Commission. The Commission could decide to divert some of those off-system revenues in that case, if you take that interpretation.

Q. The off-system sales provisions, in regard to Iatan II, then, are very important -- this provision is very important to what occurs with those -- those sales, this provision, I mean, the one dealing with off-system sales and how long it goes?

A. It's very important in terms of the consideration as to what the cost of Iatan II would be to customers.

Q. Yes. And when you said earlier that off-system sales were very important in Staff signing off on this agreement, was Staff -- did Staff make an assumption in regard to whether or not off-system sales from Iatan II would be credited to customers in signing the agreement?

A. Yes. In fact, it would be used as an offset to the cost. When you put in the cost of Iatan II, in order to determine its true cost to customers off-system sales, and actually off-system sales margins would be used in that determination of ultimate cost would be passed through in rates.

Q. Okay. That's all I have, Mr. Shallenberg.

COMMISSIONER GAW: And if that can be cleared up by the parties before we have this case, I don't know that I -- I'm not trying to make you-all do that tonight, but you already know the answer to it, that would be very helpful.

MR. DOTTHEIM: Commissioner, the company has indicated no problem with us broaching that or Mr. Shallenberg addressing what we believe is the understanding that we have with Kansas City Power & Light as to how that language would -- would change

COMMISSIONER GAW: Okay. I'm not trying to create a dispute where none exists, I'm just trying to understand.

MR. DOTTHEIM: No, this would help elucidate a matter that we fully expect, plan, will occur, so I think this furthers matters that the Commission is not surprised by any language changes, at least in this area. There will be other areas in addition to this.

COMMISSIONER GAW: Okay. I think that's all I

have, Judge.

JUDGE PRIDGIN: Commissioner, thank you. Let me see if we have any questions from counsel. I'm not seeing any. Mr. Dottheim?

MR. DOTTHEIM: Yes.

COMMISSIONER GAW: Mr. Fischer might have had some.

MR. FISCHER: I'll follow.

REDIRECT EXAMINATION

QUESTIONS BY MR. DOTTHEIM:

Q. Mr. Shallenberg, as I've indicated, Kansas City Power & Light has indicated no problem from its perspective regarding the Staff addressing what is what we believe is the understanding between Kansas City Power & Light and the Staff and other signatory parties have been involved in discussion on this matter regarding the -- the language in the stipulation agreement on off-system sales and no term being specified. Could you please provide what you understand have been the discussions and the understanding?

A. The term would be tied to as long as the cost from Iatan were included, excuse me, Iatan II were included in rates. That would be the term of the off-system sales provision that the off-system sales would be included in rates consistent with the treatment of Iatan II costs.

MR. FISCHER: Your Honor, and I can stipulate

that that is Kansas City Power & Light Company's understanding, with the proviso that it is also our understanding there will be a similar provision in the regulatory plans, and we're expecting that to come out similarly.

COMMISSIONER GAW: And I don't want to interrupt here except to say as a point of further clarification, when you get to that, what's not -- the other thing that's not clear to me is the impact of any legislation that might be passed in an intervening way, since we've seen things that have happened.

I think it's fairly clear on one point regarding fuel adjustment and interim energy charges. It's not clear to me whether the language in the stip contemplates that. I'll leave that, but I raise it since you all are going to be talking about language.

MR. DOTTHEIM: No further questions.

JUDGE PRIDGIN: All right. Mr. Dottheim, thank you. Anything else from counsel? I see nothing. Mr. Shallenberg. Thank you. May he be excused? I don't believe I have any -- any further witnesses. I'm not going to have closing arguments because we do have a briefing schedule. I'm sorry, Mr. Dottheim, did you have something?

MR. DOTTHEIM: Would the bench be expecting that the letter that's been referred to from the Department

of Natural Resources that was filed in the case through EFIS, that that might be offered as a late-filed exhibit or is there some desire on the part of the bench to address that document?

JUDGE PRIDGIN: It might be cleaner, since we did refer to it, and we've labeled that as Exhibit 59 for identification purposes, and that's that DNR letter that I believe is actually filed in EFIS that Kara Valentine wrote and I think alerted all the parties of some additional information. Mr. Dottheim, are you offering that exhibit?

MR. DOTTHEIM: Yes, I would offer Exhibit 59 into evidence.

JUDGE PRIDGIN: All right. Any objections? Okay. Seeing none, Exhibit No. 59 is admitted. Let me let -- I'm sorry, Mr. Dottheim.

MR. DOTTHEIM: And again, one other item, the Staff will provide color copies for clarity purposes of Exhibits 49 and 50, and we will endeavor to have those filed tomorrow.

JUDGE PRIDGIN: Mr. Dottheim, thank you. The parties are under an Order to submit briefs by July 21st, if I'm not mistaken. Also, I want Proposed Findings of Fact and Conclusions of Law. And since we do have signatories to the stipulation, I highly recommend that I get just one set of Proposed Findings of Fact and Conclusions of Law from those

signatories and one set of proposed Findings of Fact and Conclusions of Law who are not signatories. Because of the late hour, I did want that by Monday or so, but I think I'm going to order that about done Tuesday, which would be July 19th. Mr. Fischer, I'm sorry.

MR. FISCHER: You're asking that the signatories agree to a proposed order? Is that what you're requesting?

JUDGE PRIDGIN: Well, assuming you can, yes, since you're signatories to the stipulation and agreement, instead of getting a bunch of different Proposed Findings of Fact and Conclusions of Law, I was hoping that one -- I would get one set of Proposed Findings and Conclusions from the signatories rather than competing ones. Now, obviously that you feel like you can't do that --

MR. FISCHER: Well, my only concern is we've taken several months to come to language on the stipulation, and I would rather get you one that you can take a look at and start working with, and if other people want to comment and tear it apart, they're welcome to do that. I can circulate one, but to get every party to agree to every language --

JUDGE PRIDGIN: I understand.

MR. FISCHER: -- I don't know that it's going to be all that expeditious.

JUDGE PRIDGIN: That's fine with me. And obviously council are quite free to jump up and down and say that, no, we don't think you should do this. That's perfectly fine with me.

COMMISSIONER GAW: Maybe you can strive toward that.

MR. FISCHER: We'll try to do that, and that may work fine, I just would rather get it to you sooner rather than later.

JUDGE PRIDGIN: And my intention is to get one document rather than have every single party file documents that will hopefully be very similar.

MR. DOTTHEIM: And possibly if any of the signatory parties don't concur in what Kansas City Power & Light is drafting, rather than just submitting an entirely separate different Proposed Findings of Fact, Conclusions of Law, to just addressing those -- those items or areas that might be in dispute.

JUDGE PRIDGIN: Certainly. Makes sense to me. Anything else? Any questions from counsel? I've been waiting to say is this for so long. We are off-the-record. We are concluded with the hearing in EO-2005-0329. Thank you.

WHEREUPON, the recorded portion of the hearing was concluded.

I N D E X

EXHIBITS INDEX