

STATE OF MISSOURI  
PUBLIC SERVICE COMMISSION

TRANSCRIPT OF PROCEEDINGS

Stipulation and Agreement Presentation

April 4, 2007  
Jefferson City, Missouri  
Volume 2

In the Matter of the Resource           )  
Plan of Kansas City Power & Light    ) Case No. EO-2007-0008  
Company Pursuant to 4 CSR 240-22    )

NANCY M. DIPPELL, Presiding,  
SENIOR REGULATORY LAW JUDGE.

CONNIE MURRAY,  
STEVE GAW,  
ROBERT M. CLAYTON,  
LINWARD "LIN" APPLING,  
COMMISSIONERS.

REPORTED BY:

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25

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

2 JUDGE DIPPELL: This is Case  
3 No. EO-2007-0008, in the matter of the resource plan of  
4 Kansas City Power & Light Company pursuant to 4 CSR  
5 240-22. My name is Nancy Dippell. I'm the Regulatory Law  
6 Judge assigned to this case. And we've come here today  
7 for a hearing and question and answer session on the  
8 Stipulation, the Nonunanimous Stipulation & Agreement that  
9 was filed.

10 I'm going to begin by asking the attorneys  
11 to make entries of appearance and, Mr. Dottheim, can we  
12 start with you?

13 MR. DOTTHEIM: Steven Dottheim, Post Office  
14 Box 360, Jefferson City, Missouri 65102, appearing on  
15 behalf of the Staff of the Missouri Public Service  
16 Commission.

17 MR. FISCHER: James M. Fischer and Larry W.  
18 Dority, Fischer & Dority, PC, 101 Madison Street,  
19 Suite 400, Jefferson City, 65101, appearing on behalf of  
20 Kansas City Power & Light.

21 JUDGE DIPPELL: OPC?

22 MS. BAKER: Thank you, your Honor.  
23 Christina Baker, P.O. Box 2230, Jefferson City, Missouri  
24 65102, appearing for the Office of the Public Counsel and  
25 the ratepayers.

1 JUDGE DIPPELL: Mr. Conrad?

2 MR. CONRAD: Stu Conrad, temporary resident  
3 of Jefferson City, but generally officing out of  
4 3100 Broadway, Suite 1209 in Kansas City, where we have a  
5 law firm called Finnegan, Conrad & Finnegan. I'm here for  
6 Praxair.

7 MS. WOODS: Shelley Ann Woods, Assistant  
8 Attorney General, Post Office Box 899, Jefferson City,  
9 Missouri 65102, appearing on behalf of the Missouri  
10 Department of Natural Resources.

11 JUDGE DIPPELL: Thank you. Is there anyone  
12 else that I missed?

13 All right. We previously issued a notice  
14 that included some questions that Commissioner Gaw and  
15 Commissioner Clayton intended to ask about today, and  
16 before we start with that, I'm going to ask if Mr. Fischer  
17 would like to just make opening remarks about where we are  
18 with this and the stipulation?

19 MR. FISCHER: Yes, your Honor, I'd like to  
20 do that just briefly. On February 13th of 2007, KCPL, the  
21 Staff, the Office of the Public Counsel and the Missouri  
22 Department of Natural Resources filed a Nonunanimous  
23 Stipulation which was designed to resolve all of the  
24 issues in this case, particularly the concerns that were  
25 raised by some of the parties related to KCPL's IRP

1 compliance filing that was done on July 5th of 2006.

2                   The purpose of this proceeding as I  
3 understand it is to address your questions regarding that  
4 Stipulation & Agreement. In addition, company  
5 representatives are available to generally discuss the  
6 topics that were contained in the March 8th notice that  
7 you've just referred to.

8                   With regard to the Stipulation & Agreement,  
9 I'd first note that no party has objected to its  
10 provisions, and as a result, it becomes a Unanimous  
11 Stipulation & Agreement under the Commission's rules  
12 related to Stipulations & Agreements.

13                   In the Stipulation & Agreement, the  
14 signatory parties discuss a number of concerns or alleged  
15 areas of deficiency related to KCPL's original IRP filing  
16 and how these concerns are being addressed. Some of the  
17 concerns were alleviated merely by having KCPL provide a  
18 better explanation on how they did things like their  
19 subclass forecasts and the weather normalization process  
20 that they used in that IRP process.

21                   In other areas, KCPL has agreed to provide  
22 more specific or more complete information in its next  
23 resource planning submission that will occur, by agreement  
24 of the parties, on August 5th, 2008.

25                   I won't go through every area that's

1 included in that stip unless you have specific questions.  
2 There are probably about 22 areas that I counted where  
3 KCPL has agreed to provide more complete or more specific  
4 information pursuant to the IRP rules in that 2008 filing.

5 KCPL also agreed to make a good-faith  
6 effort to seek waivers, if they're necessary, for that  
7 2008 filing at least 12 months prior to the filing. In  
8 the meantime, the signatory parties agree to hold  
9 semi-annual resource planning meetings until that 2008  
10 filing occurs. In addition, there will be an IRP filing  
11 on November 5th of the year 2011.

12 I have Chris Giles and Burton Crawford with  
13 me today as well to address any technical aspects of that  
14 Stipulation & Agreement if you have any questions.

15 But for just a minute I'd like to turn to  
16 the topics that were included in the March 8th notice.  
17 Since Judge Dippell issued that notice on March 8th, KCPL  
18 and the Sierra Club and the Concerned Citizens of Platte  
19 County have signed a far-reaching collaboration agreement  
20 which is designed to settle all the many outstanding  
21 issues between them.

22 The agreement resolves disputes pertaining  
23 to emission limits, renewable energy, the construction of  
24 the Iatan 2 generating unit, energy efficiency, community  
25 investment and utility regulatory matters. Importantly,

1 the collaboration agreement provides for the resolution of  
2 all litigation pending between the Sierra Club, Concerned  
3 Citizens and KCP&L, including the appeal of the  
4 Commission's Order in KCPL's regulatory plan docket.

5 Yesterday the Sierra Club, Concerned  
6 Citizens of Platte County and KCPL filed a Joint Motion to  
7 Dismiss Appeal before the Western District of the Missouri  
8 Court of Appeals which requests that the Court withdraw  
9 its opinion of February 27, 2007, and dismiss the Sierra  
10 Club's appeal of the Commission's regulatory plan Report  
11 and Order in Case No. 2006 -- EO-2006-0329.

12 The Sierra Club and Concerned Citizens have  
13 agreed that they will not oppose the experimental  
14 regulatory plan approved by the Commission. The Joint  
15 Motion seeks withdrawal of the Western District opinion  
16 issued on February 27, 2007, given the global nature of  
17 the settlement between the parties.

18 And, Judge, I have copies of the Joint  
19 Motion to Dismiss Appeal which I'd be happy to give the  
20 Bench and the parties if you haven't seen it.

21 COMMISSIONER CLAYTON: Does the Joint  
22 Motion include the stipulation as well?

23 MR. FISCHER: It doesn't include the  
24 collaboration agreement, but I've got a copy if you'd like  
25 one. Let me go ahead and hand out that collaboration

1 agreement, too.

2 JUDGE DIPPELL: Let's go ahead just for  
3 clarity sake on the record and mark the motion as Exhibit  
4 No. 1 and the collaboration as -- collaboration agreement  
5 as Exhibit No. 2.

6 (EXHIBIT NOS. 1 AND 2 WERE MARKED FOR  
7 IDENTIFICATION BY THE REPORTER.)

8 MR. FISCHER: As explained in the Joint  
9 Motion, beginning on page 3 at paragraph 4, the settlement  
10 provides for changes in the emission limits at Iatan  
11 relating to nitrogen oxide, sulfur dioxide, opacity and  
12 sulfuric acid mist. KCPL has agreed not to seek increases  
13 for these and other emissions from the Iatan station.

14 Section 2 of the collaboration agreement  
15 provides for new emission limits to be included in the  
16 proposed consent agreement between the Kansas Department  
17 of Health and Environment and KCPL regarding certain  
18 emission limits related to La Cygne 1 and 2, which happen  
19 to be located in Kansas.

20 Additionally, KCPL has agreed to use its  
21 best efforts to install pollution control technologies  
22 that will allow it to reduce emissions at the two plants  
23 at the La Cygne generating station in Kansas to assure  
24 compliance with the best available retrofit technology  
25 regulations, and we're going to be doing that on an



1     accelerated schedule, no later than June 1st of 2015.

2                     The collaboration agreement also sets forth  
3     KCPL's commitment to seek regulatory approval from both  
4     this Commission and the KCC to undertake renewable energy,  
5     energy efficiency and other measures with the goal of  
6     offsetting the annual carbon dioxide emissions generated  
7     from Iatan 2.

8                     In particular, KCPL will seek regulatory  
9     approval to add 100 additional megawatts of wind-generated  
10    electric power by December 31st of 2010, and to add 300  
11    megawatts of additional wind-generated electric power by  
12    December 31st of the year 2012. This proposal is subject  
13    to obtaining the necessary regulatory approvals from this  
14    Commission and/or the Kansas Corporation Commission.

15                    With regard to energy efficiency, KCPL has  
16    agreed to seek regulatory approval to undertake by  
17    December 31st of 2010 additional energy efficiency  
18    projects designed to reduce annual electricity demand by  
19    an additional 100 megawatts. These projects would be  
20    followed by additional energy efficiency projects designed  
21    to reduce annual electricity demand by an additional 200  
22    megawatts by December 31st of 2012, for a total of 300  
23    megawatts of demand reductions related to energy  
24    efficiency.

25                    In addition, KCPL will undertake projects

1 that would offset CO-2 emissions generated from Iatan 2 by  
2 an additional 711,159 tons annually by December 31st of  
3 2012.

4                   Among the other innovative aspects of the  
5 settlement, KCPL's agreed to consult with the Sierra Club  
6 and the Concerned Citizens in developing a net metering  
7 tariff which would allow customers to reduce their  
8 electricity bills by means of qualified solar or wind self  
9 generation projects.

10                   The parties have also agreed to collaborate  
11 on legislation and regulatory initiatives in both Missouri  
12 and Kansas to encourage the reduction of emissions,  
13 including carbon dioxide, through energy efficiency  
14 building standards, appliance standards and other energy  
15 efficiency investments by public utilities.

16                   More specifically, KCPL's agreed to conduct  
17 a study of the KCPL Montrose generating station with the  
18 Sierra Club and Concerned Citizens to assess potential  
19 future use, possible retirement or upgrading of the  
20 Montrose units.

21                   In consideration of these many promises and  
22 agreements, the parties have agreed to terminate all of  
23 their pending litigation. As I mentioned, the Joint  
24 Motion specifically asks that the Western District dismiss  
25 the appeal and vacate its opinion. KCPL believes that the

1 settlement agreement is a groundbreaking event that can be  
2 used as a national model for environmental groups and  
3 utilities to work together on a common set of initiatives  
4 to offset carbon dioxide and reduce other emissions.

5 KCPL intends to also discuss these  
6 provisions with the signatory parties to the experimental  
7 regulatory plan and Stipulation & Agreement, and  
8 provisions have been distributed to them.

9 I'd also like to specifically thank the  
10 General Counsel's Office, particularly Steve Reed and  
11 Steve Dottheim, for their assistance throughout the  
12 appellate process involving the appeal of the experimental  
13 regulatory plan Report and Order.

14 Briefly turning to environmental  
15 compliance. Iatan 1 currently meets existing laws  
16 relating to emissions. The Clean Air Interstate Rules  
17 require 28 states, including Missouri, to implement a cap  
18 and trade program to reduce the NOX and the SO2 emissions  
19 over a ten-year period, with the initial reductions  
20 required in the year 2010 and the final reductions  
21 required in the year 2015.

22 The Clean Air Interstate Rule allows  
23 emissions sources either to purchase emission allowances,  
24 install environmental controls or use a combination of  
25 emission allowance purchases and emission controls to meet

1 these emission reduction standards. To comply with the  
2 clean air emission requirements at Iatan 1 by 2010, KCPL  
3 must either purchase emission allowances, install  
4 environmental controls, such as a baghouse scrubber or a  
5 selected catalytic reduction or use a combination of  
6 emission allowances and purchases and installation of  
7 these emission controls.

8 Under the terms of the KCPL regulatory  
9 plan, this equipment is to be installed sooner than  
10 required by law. Construction is currently under way and  
11 is on schedule and budget to be completed by the end of  
12 the year 2008. The current control budget estimate for  
13 this air quality control system equipment for Iatan 1 is  
14 \$376.8 million.

15 Now, for some time the Sierra Club has made  
16 allegations that at some point in the past capital  
17 projects were undertaken at Iatan 1 that should have  
18 triggered new source review requirements. These  
19 allegations were made as a part of their legal challenge  
20 to the emissions limitations contained in the air permit  
21 for the Iatan 2 project.

22 The Missouri Department of Natural  
23 Resources, which issued the air permit for Iatan 2,  
24 investigated the Sierra Club's allegations twice and found  
25 no evidence that the new source review violations had

1 occurred at Iatan 1. In fact, KCPL filed a declaratory  
2 judgment action in federal court against the Sierra Club  
3 and asked the Court to rule as a matter of law that KCPL  
4 had, in fact, complied with the Clean Air Act at Iatan 1.

5 As a part of the recent collaboration  
6 agreement, the Sierra Club and the Concerned Citizens  
7 agreed to stop making these allegations and the legal  
8 challenge -- and to stop the legal challenge of the  
9 Iatan 2 air permit, and the federal court action has also  
10 been dismissed.

11 Now, as reported in the media, the Sierra  
12 Club did notify KCPL that it had received a subpoena  
13 requesting documents it obtained in discovery from KCPL  
14 during the Iatan 2 air permit appeal. KCPL has not  
15 received a subpoena and has not been notified by any  
16 government agency of any investigation involving any of  
17 its facilities.

18 Turning to the impact of carbon emissions  
19 on the economics of Iatan 2, KCPL uses what's called a  
20 Midas model to evaluate the impact of potential carbon  
21 restrictions on the present value revenue requirements.  
22 Given the significant uncertainty of carbon restrictions,  
23 KCPL has modeled a range of outcomes. In its most recent  
24 study, the lowest carbon restriction scenario produced a  
25 present value revenue requirement increase of 2.6 percent

1 for the Iatan 2 plant, compared to a 3.6 percent increase  
2 for the best alternative CT case, which was also modeled.

3                   The medium carbon restriction case  
4 indicated similar results. There was a 6.9 percent  
5 increase for coal for Iatan 2 and an 8.3 percent increase  
6 for combustion turbines. Only in the highest carbon  
7 restricted case did the combustion turbine case present  
8 present value revenue requirement increases less than the  
9 coal scenario. In that case, there would have been a  
10 16.9 percent increase for coal and a 13.8 percent increase  
11 for the combustion turbine scenario.

12                   In December 2006, a similar analysis was  
13 completed in a study done in conjunction with Charles  
14 Rivers & Associates, which is an outside consulting firm.  
15 Charles Rivers also provided the assumptions regarding a  
16 range of potential carbon costs. Results of that analysis  
17 were similar to the KCPL studies. Iatan 2 resulted in the  
18 lowest present value revenue requirement, except for the  
19 most restrictive carbon scenario.

20                   Given the uncertainty of potential carbon  
21 restrictions, KCPL has not yet assigned probabilities.  
22 This is expected to be done as a part of the future  
23 electric resource planning reviews.

24                   Talking about cost projections for a  
25 minute, the controlled budget estimates for Iatan 2 were

1 finalized in December 2006. KCPL presented the control  
2 budget estimate for Iatan 2 to the signatory parties to  
3 the stipulation in the regulatory plan case in January of  
4 this year. As a part of that presentation, KCPL modeled  
5 the impact of various levels of costs for coal -- for  
6 carbon emissions. Excuse me. Only in a scenario targeted  
7 to reduce carbon to 1990 levels did Iatan economics wain  
8 with respect to the gas combustion turbine scenario.

9                   However, the sunk costs of Iatan 2 to date  
10 were not included in that evaluation. At the time those  
11 costs were estimated to be at least 300 million, and, of  
12 course, they increase each day as the construction  
13 continues. The total cost control budget estimate for  
14 Iatan 2 is \$1.685 billion, excluding AFUDC. Chris Giles  
15 is available to discuss those cost projections if you have  
16 any specific questions.

17                   As I mentioned earlier, KCPL's next  
18 resource plan will be submitted in 2008, and it will  
19 evaluate these various technologies along with energy  
20 efficiency and wind for the planning horizon of 2010 and  
21 beyond. Energy efficiency, integrated gas combined cycle,  
22 nuclear and renewables will play a critical role as a part  
23 of the evaluation of alternative resource plans and the  
24 impact of potential environmental regulatory changes,  
25 including carbon. Again, Chris or Burton Crawford are

1 available if you want to discuss technical questions  
2 related to how they evaluate those technologies.

3                   With regard to potential rulemaking and  
4 legislation, as evidenced by the collaboration with the  
5 Sierra Club and the Concerned Citizens group, KCPL is  
6 committed to energy efficiency, and renewable energy is a  
7 part of its long-term resource plans. Evaluation and  
8 decisions regarding these technologies will fall under the  
9 broad umbrella of the electric resource planning process,  
10 taking into account potential and implemented legislation  
11 or rules at both the state and the federal level.

12                   Again, if you have questions about any of  
13 these topics, we'll be happy to try to address them. We  
14 appreciate your attention today, and again, we're  
15 available for whatever questions you might have. Thank  
16 you very much.)

17                   JUDGE DIPPELL: Thank you, Mr. Fischer.  
18 Could you tell me again just who all -- could you  
19 introduce who you brought with you?

20                   MR. FISCHER: Yes. This is Chris Giles and  
21 Burton Crawford at the table with me.

22                   JUDGE DIPPELL: And their positions are?

23                   MR. FISCHER: You're vice president of  
24 regulatory?

25                   MR. GILES: Yes.



1                   MR. FISCHER: And, Burton, what's your  
2 position?

3                   MR. CRAWFORD: Manager of energy resource  
4 management.

5                   JUDGE DIPPELL: Thank you. Would any of  
6 the other parties like to make any opening remarks?  
7 Staff? Public Counsel?

8                   MR. KIND: We'd like to make a brief  
9 statement. I'm Ryan Kind. I'm the chief economist at the  
10 Public Counsel's office. And if it's appropriate for a  
11 non-attorney to make a statement --

12                  JUDGE DIPPELL: I started to say, not  
13 really, but can I -- I take it that your attorney isn't  
14 prepared to make the remarks that you would like to make?

15                  MR. KIND: She doesn't usually work in the  
16 electric area. She's kind of here filling in for Lewis  
17 today.

18                  JUDGE DIPPELL: Let me come back to you,  
19 Mr. Kind, and we can probably go ahead and swear you in as  
20 a witness.

21                  MR. KIND: And it's really not that  
22 important that we need to get involved in any complicated  
23 procedures just for that.

24                  JUDGE DIPPELL: Okay. Mr. Conrad, did you  
25 have any opening?

1                   MR. CONRAD: We did not -- Praxair did not  
2 sign the IRP package, but we did not oppose it. We are a  
3 signatory to the regulatory plan, so I'm interested in  
4 listening to how all of this folds together.

5                   JUDGE DIPPELL: Okay. And, Ms. Woods, did  
6 you have anything?

7                   MS. WOODS: Well, the Department of Natural  
8 Resources, of course, was a signatory to both the IRP and  
9 the regulatory plan cases and was very involved in the  
10 permit for both Iatan 1 and Iatan 2, regulating emissions  
11 and constructions -- construction of Iatan 2 and the  
12 upgrades to Iatan 1, and we're here today to answer any  
13 questions the Commission has particularly as regards the  
14 environmental impact.

15                  JUDGE DIPPELL: Thank you. All right,  
16 then. Let's go ahead, then, and Mr. Kind's indicated that  
17 his remarks were not necessarily needing to come in, so  
18 let's go ahead, then, and begin with Commission questions  
19 that you might have. Commissioner Murray?

20                  COMMISSIONER MURRAY: I pass.

21                  JUDGE DIPPELL: Commissioner Gaw?

22                  COMMISSIONER GAW: Thank you. First of  
23 all, thank you all for coming today. I appreciate that.  
24 I know everyone has lots of things to do.

25                  I guess I want to ask these questions

1   mainly of KCP&L but with any follow-ups from anyone else.  
2   And, Judge, if it's appropriate, if someone else has some  
3   response to this, then I'd like for that to happen as a  
4   part of the question that I have so that we're not just  
5   going witness by witness.

6                   JUDGE DIPPELL:   Why don't we do this:   Why  
7   don't we swear in the two company people and perhaps  
8   Mr. Kind who would be responding for Office of Public  
9   Counsel, and would there be anyone else who would most  
10   likely be answering?

11                  COMMISSIONER GAW:   I see some staff people  
12   back there.

13                  MR. DOTTHEIM:   There's Staff witnesses or  
14   members of the Staff who are available.   I'm not sure that  
15   they'd have any comments, but they certainly are here for  
16   that purpose today.

17                  JUDGE DIPPELL:   Okay.   Well, let's --

18                  MS. WOODS:   Excuse me, Judge.   And then  
19   Brenda Wilbers is here with the Department of Natural  
20   Resources Energy Center.   She can respond to certain of  
21   the questions that might come up.

22                  JUDGE DIPPELL:   Okay.   Could I get each of  
23   the potential witnesses to stand up and give your name and  
24   position, and then we'll just have a mass swearing in  
25   ceremony.   Do it slowly enough that the court reporter

1 can -- Mr. Bush, I'll let you start in the back. Go  
2 ahead. State your name and who you work for.

3 MR. BUSH: Jim Bush. I work for the  
4 Missouri Public Service Commission Staff.

5 MR. ELLIOTT: Dave Elliott. I work for the  
6 Commission Staff.

7 JUDGE DIPPELL: Sorry. Can you spell  
8 your --

9 MR. ELLIOTT: Dave Elliott, E-l-l-i-o-t-t.  
10 I work for the Commission Staff.

11 MR. BECK: Dan Beck, B-e-c-k, and I work  
12 for the Commission Staff.

13 MS. MANTLE: Lena Mantle, M-a-n-t-l-e, and  
14 I work for the Commission Staff.

15 MS. WILBERS: Brenda Wilbers,  
16 W-i-l-b-e-r-s, with the DNR Energy Center.

17 MR. KIND: I'm Ryan Kind, last name spelled  
18 K-i-n-d, and with the Missouri Office of Public Counsel.

19 MR. CRAWFORD: Burton Crawford with Kansas  
20 City Power & Light?

21 MR. GILES: Chris Giles, G-i-l-e-s, Kansas  
22 City Power & Light, Vice President Regulatory Affairs, and  
23 my purpose for being here today is to represent KCPL in  
24 policy matters of this hearing.

25 JUDGE DIPPELL: Okay. If you all would

1 please raise your right hands.

2 (Witnesses sworn.)

3 JUDGE DIPPELL: Thank you. Now, I will ask  
4 that before you speak and in order to keep things straight  
5 with the court reporter, if you would identify yourselves  
6 if you haven't been specifically addressed by name so that  
7 the court reporter can keep things straight in the  
8 transcript, but I think that will allow us to have  
9 questions answered more freely.

10 COMMISSIONER GAW: Thank you very much.

11 JUDGE DIPPELL: Commissioner Gaw.

12 COMMISSIONER GAW: I guess my first  
13 question is, where are -- where are we with the  
14 construction on Iatan 2? What's the current status?

15 MR. GILES: Okay. Chris Giles, KCPL. Be  
16 glad to answer that question. Iatan 2 is well into the  
17 construction process. We have completed building the  
18 stack for both Unit 1 and Unit 2. It's a combined stack  
19 that will be used ultimately for the flue gases of both  
20 those units. Piling work, foundation work is ongoing on  
21 the boiler island and the turbine building. Many of the  
22 foundations are either in progress or substantially  
23 complete for many of the largest pieces of equipment.

24 The other thing that's significant is the  
25 way this project is advancing, we're procuring materials

1 as we go so that materials with long lead times have been  
2 order, steel has been ordered, the turbine's been ordered,  
3 the boiler. In fact, as of February, the end of February  
4 of this year, there were almost \$800 million that had been  
5 awarded out of a total of roughly 1.7 billion.

6 The next critical phase, I believe the  
7 foundations for the boiler are to be completed sometime in  
8 June of this year. That will then allow the boiler  
9 manufacturer, which is Alstrum, a subsidiary of a French  
10 company, to actually begin construction of the boiler.  
11 That's really when the most activity begins to occur.  
12 Sometime in the fall of '07 we'll probably have as many as  
13 8 or 900 of Alstrum's people onsite. So that's kind of  
14 generally where we are.

15 COMMISSIONER GAW: And then the  
16 construction completion date, is it still in the same time  
17 frame as what was originally anticipated, and can you tell  
18 me when that is?

19 MR. GILES: Yes. Chris Giles again. The  
20 initial construction date is targeted for an in service  
21 operation date of June 1, 2010. And one of the activities  
22 that is being undertaken right now, in fact, it may have  
23 already been completed this week, one of the things they  
24 do is they have a set of schedules. One is called a  
25 Level 1 schedule, and then there's a Level 3 schedule.

1                   Level 1 schedule is the high-level schedule  
2   that basically ties together the turbine, the boiler, all  
3   the ancillary balance of plant items and makes sure all of  
4   those are sequenced in so that testing can begin and  
5   service date June 10 can be met.

6                   They then take that schedule and develop a  
7   more detailed schedule where actual resources are assigned  
8   to each of those activities, and there's something in the  
9   neighborhood of I believe 18,000 activities that are  
10  mapped on this schedule.

11                  That schedule is being developed right now.  
12  It's been in progress for about the past three months, and  
13  they're vetting that schedule and making sure that every  
14  single contractor that's a part of this project  
15  understands the schedule and knows exactly that everything  
16  is lined up so that if there's any gaps that would cause a  
17  delay, to go back and relook at that and say, okay, what's  
18  wrong with this and how do we move things to make it work.  
19  That should be either completed -- it was either completed  
20  last week or this week.

21                  COMMISSIONER GAW: Mr. Giles, you probably  
22  said this. Is there a general contractor on this project?

23                  MR. GILES: We have done this in what's  
24  called a multi-prime sort of contracting. So the owner's  
25  engineers is Burns & McDonald. So Burns & McDonald is

1 doing all the engineering work. The two primary  
2 contractors are Alstrum, who has all of the boiler work  
3 and the AQCS on both units. That alone is about a  
4 700 million contract. All of the other contracts are done  
5 individually, and then between Burns & McDonald and KCPL  
6 we're managing the interface of all of those contractors.

7 COMMISSIONER GAW: Okay. As far as the  
8 contract costs are concerned, that was mentioned a little  
9 earlier. If any of this gets into highly confidential  
10 information, please just say and we'll deal with it. But  
11 how much difference is there now in the anticipated costs  
12 of this project comparing it to what was anticipated to be  
13 the case when the regulatory plan back in the case that  
14 went up to the Court of Appeals or is at the Court of  
15 Appeals was done?

16 MR. GILES: In the Stipulation & Agreement  
17 in January of '06, the cost was estimated to be  
18 \$1.331 billion. We provided a regulatory update in April  
19 of '06 to all the signatory parties.

20 COMMISSIONER GAW: Yes.

21 MR. GILES: That estimate was  
22 1.454 billion. The final estimate, what we call the  
23 control budget estimate, another term that's typically  
24 used in regulatory proceedings is definitive estimate, we  
25 provided that in December of '06, and that was



1 1.685 billion.

2 COMMISSIONER GAW: And is there -- is there  
3 an identification of the principal driver of the increase  
4 in costs?

5 MR. GILES: Right. Yeah. Let me go  
6 through how we got -- how we got there. From the time we  
7 did the Stipulation & Agreement that was 1.331, the  
8 contingency in that agreement, in other words, the  
9 estimate of the cost, the contingencies estimate, that  
10 contingency estimate was 97 million. When we moved to the  
11 April '06 date, the contingency estimate was 109. When we  
12 moved to the December date, that contingency is now  
13 220 million.

14 COMMISSIONER GAW: What does that mean,  
15 contingency estimate?

16 MR. GILES: Contingency refers to several  
17 factors that could impact the scope of the project, either  
18 the scope or the price, and they actually use between  
19 Burns & McDonald, our own resources, and we had an outside  
20 auditor and another consultant all looked at the  
21 probability of all of these different items, both price,  
22 quantity, labor, and do a probabilistic assessment of  
23 what's the likely range that your cost will be above or  
24 below for whatever particular reason.

25 And as we got further and further into the

1    engineering and the bidding of the project, a couple of  
2    things we found. The engineering is engineered as you go.  
3    So even today we're probably only, I would say, 40 --  
4    maybe 40 percent of the engineering's completed. So  
5    engineering changes, changes in scope, changes in quantity  
6    or price are still possible even at this date.

7                    The other piece is, a lot of these pieces  
8    of equipment are coming from overseas. The turbine is  
9    Toshiba. A lot of the boiler components are coming from  
10   Thailand. So disruptions in whatever could happen, the  
11   ship could sink, there's different kind of things that  
12   could happen, what we call high impact, low probability.  
13   Those together with the higher probability lower impact  
14   are all figured into this contingency.

15                   What caused it to increase between April  
16   and December, we had originally thought we would be ready  
17   to do the definitive estimate in August. Well, at the  
18   time we were doing that, we were issuing most of the  
19   contracts for bid. And so the thought was, let's see what  
20   these bids come back to make sure we're in the ballpark.  
21   A lot of the bids came back and they were much higher than  
22   we had anticipated.

23                   So that caused us pause and said, well, we  
24   need to make sure that this estimate is as good as we can  
25   get it. Let's go back and relook at everything. We

1   relooked at the quantities. We had Burns & McDonald  
2   involved. We had a consultant called Shiff Hardin  
3   involved, our external auditor, Ernst & Young. We all  
4   went back and looked at the quantities, we looked at the  
5   prices and reestimated everything based on the bids that  
6   we were seeing.

7                   At the same time we did that, we  
8   reevaluated contingency, we said, well, there was two  
9   unique things about this project. By the time we got to  
10  the end of the year '06, we had contracted for over half  
11  of the project, and we pretty well knew what those costs  
12  were. So you would think you wouldn't need the normal  
13  level of contingency when you're that far along.

14                   But the other thing that made this more  
15  difficult, we're in a market where everything was  
16  increasing. Demand for labor, demand for steel, demand  
17  for SCR equipment were all very heavy and the prices were  
18  going up. So on the one hand we were saying, well, we  
19  don't need as much contingency, but there's more  
20  uncertainty that maybe we do.

21                   Ernst & Young came back and said on a  
22  project of this type, usually you'd have a 16 percent  
23  contingency. We ended up less than that. We're about 15.  
24  But taking into account we're comfortable with half the  
25  costs, we've got all these uncertainties, we're very

1 comfortable with the 15 percent. So that's one piece of  
2 how the costs grew.

3 Two other factors that played a role, there  
4 were scope changes as the engineering became more firm and  
5 the bids became more firm. We had some quantity changes  
6 in the steel for the turbine building, labor changes,  
7 things like that that just caused the cost to go up.

8 I think as we got down to the December  
9 level, we were about 95 percent confident, this is the --  
10 we'll be within this budget given that level of  
11 contingency. The way the contingency works is every --  
12 every change order or every occurrence, if a bid comes  
13 back cheaper than we thought, that's a positive.  
14 Contingency is adjusted up. So the estimate never  
15 changes. You've just got more contingency. If one comes  
16 in that's higher, then that's a negative.

17 Right now we're running positive. So right  
18 now we're not seeing any change orders that's causing that  
19 contingency to even be drawn upon. in fact, it's looking  
20 like it's coming in lower. Now, sitting here in '07,  
21 three more years to go, we just hope it continues on that  
22 track.

23 That's sort of a brief explanation. Two  
24 things that we did, were able to do with this project. We  
25 got out ahead of a lot of projects in terms of permitting,

1 in terms of boiler and turbine. The pieces we could order  
2 and get locked in came out very favorable. If we were to  
3 do those items today, they would be much, much higher.  
4 The pieces that we weren't able to do that, we're getting  
5 caught in that price escalation. But we're still far  
6 enough along that if the plant were announced today, it's  
7 going to be substantially higher.

8 MR. FISCHER: Would you explain the demand  
9 for the technology?

10 MR. GILES: There's two things driving.  
11 One is there were a lot of coal plants that have been  
12 announced, and that's driving up the cost.

13 The other one is, all of the air rules, the  
14 BART rules, everyone is going to have to put SCRs and QCS  
15 equipment in. That's driving up the cost not only for  
16 material but for labor as well.

17 COMMISSIONER GAW: Okay. So in regard to  
18 the other plants that are out there, can you give me just  
19 a very quick overall view of the world of coal plants  
20 right now in the midwest and what those numbers look like?  
21 Do you know off the top of your head?

22 MR. GILES: I don't. Burton, do you have  
23 those numbers?

24 MR. CRAWFORD: Not right off the top of my  
25 head.

1                   COMMISSIONER GAW: And the reason I'm  
2 asking generally, I've seen those numbers, but I'm curious  
3 about whether there's been any significant changes in the  
4 numbers in the last year or so.

5                   MR. GILES: I can't tell you definitively.  
6 We do have -- I didn't bring it with me today, but we do  
7 have a chart that shows those plants. I just don't have  
8 it with me. If anything, they're declining from where  
9 they were. A lot of plants are being canceled.

10                  COMMISSIONER GAW: That's where I was  
11 headed with this.

12                  MR. GILES: Weststar canceled one, decided  
13 not to build a coal unit. Went with gas. AEC, Associated  
14 Electric had planned on a unit. They have canceled their  
15 unit.

16                  COMMISSIONER GAW: Now, is that the unit  
17 that they -- that's not the unit they were going to put in  
18 Carroll County, is it?

19                  MR. GILES: I believe so.

20                  COMMISSIONER GAW: That unit's canceled?

21                  MR. GILES: Well, I may be misspeaking.

22                  COMMISSIONER GAW: I don't know. This is  
23 just news.

24                  MR. GILES: My understanding is it has  
25 been. It's either been canceled or pushed out.

1 COMMISSIONER GAW: That's interesting.

2 MR. FISCHER: Chris, could you talk about  
3 the area, the difficulty of permitting and how that's  
4 affecting that?

5 MR. GILES: The other -- there were also  
6 some cost increases related to the permitting and --

7 COMMISSIONER GAW: Yes.

8 MR. GILES: -- what we call third party.  
9 The time we did the Stipulation & Agreement, permitting  
10 and third party has increased by \$26 million.

11 COMMISSIONER GAW: What do you mean by  
12 third party?

13 MR. GILES: Items like -- give you an  
14 example. Permit fees in Platte County, for instance.

15 COMMISSIONER GAW: All right.

16 MR. GILES: Platte County decided they  
17 needed to have a permanent inspector onsite. There were  
18 some questions about whether the utility even needed a  
19 construction permit for this kind of thing. A third party  
20 cost there would be cost of that inspector and the cost of  
21 providing fees for their permit fee.

22 COMMISSIONER GAW: Okay.

23 MR. GILES: We're not talking huge dollars  
24 in that case, 2 to 4 million, but that's the kind of thing  
25 I'm talking about. We're building a couple of bridges or

1 contributing with MoDOT to ensure the bridges on  
2 Highway 45 that enter the plant are, you know,  
3 structurally sound. So we've done a lot of engineering  
4 work, working with MoDOT to determine how much MoDOT would  
5 pay and how much we would pay to make sure those bridges  
6 are good, those kinds of things.

7 COMMISSIONER GAW: Yes. We were talking  
8 about coal plants. In addition, and I said the midwest,  
9 but there was some news a couple months ago about TXU  
10 cancelling five plants in the Texas area. What is it --  
11 is that a trend that's fairly significant or is it just --  
12 is it just a few plants that have come off of the proposal  
13 list?

14 MR. GILES: I think -- without having any  
15 hard data in front of me, I'll just give you my opinion on  
16 what's occurring. I think the difficulty and the  
17 uncertainty around carbon and --

18 COMMISSIONER GAW: You know I'm going  
19 there, so that's -- you're segueing just fine.

20 MR. GILES: I think the uncertainty and  
21 difficulty with carbon emissions and potential regulations  
22 there and the permitting that you need to go through to  
23 get it and, not coincidentally, the opposition of the Sierra  
24 Club nationwide. It's not just Missouri and Kansas. It's  
25 a nationwide agenda to not build coal. And I think given



1 all of that and the uncertainty of the regulations would  
2 cause most utilities that haven't already started  
3 construction or been issued a permit, I think it would  
4 cause them pause to say, what are we -- what are we going  
5 to do? I think Weststar even made it pretty clear, that's  
6 why they changed their position.

7                   So I think that all weighs in, and I think  
8 it's -- we're in a phase of the industry where I think --  
9 and Burton can correct me if I misspeak from his  
10 viewpoint, but we're in a place where the technology has  
11 not caught up with what the anticipated risks are with  
12 carbon, whether it's carbon avoidance, carbon capture and  
13 storage. Those technologies just aren't there.

14                   And you look back and you say, well, yes,  
15 we need to do more efficiency, we need to do wind  
16 resources or renewables, and we're committed to do that as  
17 you can see from our agreements, but in the long term,  
18 there's got to be more. That's not going to be sufficient  
19 to not build coal, and that's -- we're in that position  
20 and that's just where we are.

21                   COMMISSIONER GAW: I guess the immediate  
22 question that comes to mind in regards to this scenario  
23 that you painted would be, is KCP&L making a decision here  
24 that, in going forward, that is contrary to the decisions  
25 of those other entities that have decided not to build, or

1 is the fact that you're farther along, you've already --  
2 you're already off the diving board you can't make the  
3 decision not to dive at this point, that's where we are.  
4 I guess that's a fairer way of putting it.

5 MR. GILES: Sure. I think it's a fair  
6 question, and I think it's kind of a combination of both  
7 of those. I think from our perspective, we started early  
8 enough and we -- and I was just commenting to Mr. Fischer  
9 before we started, you go back and we're coming up on a  
10 three-year anniversary date of when I made the very first  
11 presentation in this room on Iatan 2. That was in June of  
12 2004.

13 Well, since that time, as things have  
14 developed, there has been nothing legislatively,  
15 regulatorily with EPA, MDNR, that would change that  
16 decision, all the way up to today. At the time we  
17 developed our comprehensive energy plan, we anticipated,  
18 looking out ten years, environmental would be a very  
19 critical aspect.

20 So at the time in 2004 when we modeled all  
21 that, we put in the environmental costs. We ran scenarios  
22 with carbon taxes and carbon restrictions. And we said,  
23 this is still the right thing to do right now.

24 And here we are three years later,  
25 construction is started. If we were to cancel that plan

1 today, just walk away, you're probably looking at  
2 500 million. Even though we've committed 800, some of  
3 those projects haven't started. But the total cash out  
4 would probably be roughly 500 million.

5                   You look at the carbon aspect and you say,  
6 well, only in the most harsh restriction would this even  
7 lean toward gas where we are today. So it's still the  
8 right decision, still the decision to go forward. It  
9 raises many more questions about -- and these are actually  
10 positive in my mind.

11                   The question then it raises is, because we  
12 were early enough and because we're under construction and  
13 we've got it going, like you say, we're off the diving  
14 board, this really has significant impact on our next,  
15 quote, IRP or regulatory plan because purely from a carbon  
16 standpoint we have a very old, highly inefficient unit at  
17 Montrose, three units there.

18                   It would be much better off from a carbon  
19 standpoint to have a clean and efficient coal plant, brand  
20 spanking new, than to be using that three Montrose units.  
21 So if we're successful with the energy efficiency and  
22 wind, maybe it gives us an opportunity then to just retire  
23 that, not have to deal with all the SCRs, baghouses and  
24 scrubbers and continue to operate it. We don't know that  
25 that's the way it will turn out yet, but it gives us more

1 options.

2 COMMISSIONER GAW: I want you to say what  
3 SCR is. You've used that several times.

4 MR. GILES: An SCR is a -- the term is a  
5 selective catalytic reduction. It's essentially like the,  
6 similar to the --

7 COMMISSIONER GAW: Catalytic converter on a  
8 car?

9 MR. GILES: -- catalytic converter on your  
10 car. It cleans and reduces nitrogen oxide.

11 COMMISSIONER GAW: Now, wouldn't you --  
12 would you say that at this point, in comparison with where  
13 you were three years ago, that just the general  
14 attitude -- I know you follow this in regulatory  
15 affairs -- the general attitude around DC is that it's not  
16 a question of whether but when we get some carbon  
17 restriction of some sort, some sort of a program? Would  
18 you agree with that?

19 MR. GILES: I would agree with that, yes.

20 COMMISSIONER GAW: I know that you referred  
21 to it, and in opening statements Mr. Fischer referred to  
22 this, I don't know if you said revenue requirement.

23 MR. FISCHER: Present value revenue  
24 requirement.

25 COMMISSIONER GAW: With a minimum, medium

1 and high scenario on the carbon restriction impact. First  
2 I'd like for you to explain to me how you distinguish  
3 between minimum, medium and high. Was there a specific  
4 measure of what that would entail so I can understand a  
5 little more specifically?

6 MR. CRAWFORD: This is Burton Crawford. We  
7 looked at essentially these three scenarios that had  
8 restrictions on the CO2. We looked at one where we were  
9 limiting CO2 production to what we produced in the year  
10 2000.

11 COMMISSIONER GAW: All right.

12 MR. CRAWFORD: We looked at another  
13 scenario that said, okay, we're going to be a little  
14 more -- we're going to be more restrictive than that.

15 COMMISSIONER GAW: Was that your minimum,  
16 the 2000 scenario?

17 MR. CRAWFORD: Yes.

18 COMMISSIONER GAW: Okay. Thanks. Keep  
19 going.

20 MR. CRAWFORD: And the most restrictive was  
21 a 1990 scenario.

22 COMMISSIONER GAW: Okay.

23 MR. CRAWFORD: The medium restriction  
24 scenario was a flat tax that we applied to all CO2  
25 production.

1                   COMMISSIONER GAW: What was the amount of  
2 the tax?

3                   MR. CRAWFORD: It was in the range of, I  
4 believe, 12 -- 12 to \$18 a ton depending on the --  
5 depending on the year.

6                   COMMISSIONER GAW: Okay. And were the  
7 minimum and high scenarios, did they -- did they look at  
8 some sort of a cap and trade model?

9                   MR. CRAWFORD: Yes. And then the most  
10 highly restrictive case we had emission allowances in the  
11 45 to \$65 range.

12                  COMMISSIONER GAW: What was that? 45, \$60  
13 range was what?

14                  MR. CRAWFORD: Projection of the CO2  
15 emission allowance cost.

16                  COMMISSIONER GAW: All right. Now, first  
17 of all, did you have any reason for choosing those  
18 numbers, something that you based it on that would -- is  
19 it something that others are basing projections on?

20                  MR. CRAWFORD: There were a number of  
21 different studies that we had pulled information from, and  
22 these numbers are fairly similar to -- we went through a  
23 process late last year or during 2006 working with Charles  
24 Rivers & Associates to evaluate the impact of CO2 on our  
25 plan, and they had ranges fairly, fairly similar to that

1 in terms of -- except they were actually applying these  
2 levels to all CO2 production instead of assuming that  
3 you'd be allocated so many allowances and then anything  
4 above that you would be hit with a -- essentially you have  
5 to buy allowances or find some kind of an offset.

6 And they pointed to a number of federal  
7 reviews of various proposed legislation that had gone  
8 before looking at some EIA reports and some EPA or DOE  
9 where it had done some analysis on what the emission  
10 allowance costs might be.

11 COMMISSIONER GAW: What is the CT option,  
12 the combustion turbine option? What is that?

13 MR. CRAWFORD: Essentially it's an  
14 alternative resource plan for us that looks at, instead of  
15 installing Iatan 2, say instead that we don't install  
16 Iatan 2, that what we did is we met our needs with  
17 installing combustion turbines. As our load grew, we  
18 build them incrementally.

19 COMMISSIONER GAW: Why would -- was that  
20 the only alternative option that you looked at?

21 MR. CRAWFORD: No. We also looked at an  
22 alternative that, instead of Iatan 2, would build a  
23 combined cycle plant of the same magnitude of Iatan 2.  
24 It's just that in most cases the all CT case was actually  
25 cheaper than the combined cycle case.

1                   COMMISSIONER GAW: Can you explain to me  
2 why that would be?

3                   MR. CRAWFORD: Higher capital costs for  
4 combined cycle plant, that we wouldn't necessarily be  
5 running it as much in this region.

6                   COMMISSIONER GAW: Is the -- is the  
7 combined cycle scenario -- well, okay. Let me ask you  
8 this: In regard to the comparison here, is off-system  
9 sales figured in to the --

10                  MR. CRAWFORD: Yes.

11                  COMMISSIONER GAW: -- total?

12                  MR. CRAWFORD: In each of these various  
13 expansion plan alternatives.

14                  COMMISSIONER GAW: Okay. Now, when you're  
15 talking about these alternatives, all of the fuel on the  
16 combined cycle and the combustion turbines was natural  
17 gas?

18                  MR. CRAWFORD: That's correct.

19                  COMMISSIONER GAW: Did you look at -- and  
20 we've spent a lot of time on this, I realize. I won't  
21 spend that much time today. Did you look at the -- at the  
22 gasification of coal as an option in a combined cycle  
23 unit?

24                  MR. CRAWFORD: We did not do that in these  
25 comparisons because we're looking at needs that we have in



1 2010, and within that time frame we didn't feel the  
2 technology was available in that size of plant and we just  
3 couldn't get it built by 2010, but we could combined cycle  
4 or CTs.

5 MR. FISCHER: That would be on the table  
6 the next round?

7 MR. CRAWFORD: That will definitely be on  
8 the table.

9 COMMISSIONER GAW: Is that because you  
10 think the technology will be ready or because of the  
11 steps?

12 MR. CRAWFORD: I'm sorry. Because of the  
13 steps?

14 COMMISSIONER GAW: Because of the  
15 stipulations?

16 MR. CRAWFORD: It's because the technology  
17 may be available. There's several plants now that are on  
18 the drawing board, a handful of them in the country, and  
19 that are looking at installation period in the 2012 time  
20 frame.

21 COMMISSIONER GAW: Okay.

22 MR. GILES: One thing, just to clarify a  
23 point, and correct me if I'm wrong, Burton, but when he  
24 says we didn't look at IGCC, what he's referring to is in  
25 this update we just did.

1                   COMMISSIONER GAW: Yes. I know there was  
2 testimony about some of it in the earlier --

3                   MR. GILES: We looked it when we were first  
4 looking at Iatan back in the 2004 period, but we didn't in  
5 this. It's good to clear up, you know, what are we doing  
6 with this.

7                   One of the -- one of the conditions or  
8 requirements in the stipulation on the regulatory plan is  
9 that we continually monitor for changed circumstances  
10 during this construction period. And if something occurs,  
11 whether it's legislation, whether it's cost, we go back  
12 and relook at these models to make sure that it's not way  
13 out of kilter, it's not costing \$3 billion instead of a  
14 billion.

15                   So as part of that, what Burton does is  
16 every time we see a change, every time we -- when the  
17 costs went up in April, we reran the model. When the  
18 final estimate came out in December, we ran the model.  
19 But as Burton was indicating, we didn't look at IGCC at  
20 that point because really our only options between now and  
21 2010 were, you know, continue with this or CTs or combined  
22 cycle.

23                   COMMISSIONER GAW: You could have -- you  
24 could have looked at an option, and this may not be  
25 realistic, but you could have looked at an option where

1   you were filling the gap with purchased power with a  
2   longer period out before you actually built some sort of a  
3   plant as well, that would have been another scenario, but  
4   you didn't look at that in this -- in the latest modeling  
5   that you did?

6                   MR. GILES:  Correct.  And, of course, to do  
7   that, too, you would need to factor in whether you were  
8   delaying construction and what all impacts that might  
9   have.

10                  COMMISSIONER GAW:  Of course, there are all  
11   sorts of differences.  I'm just trying to establish that  
12   you didn't model it at this point?

13                  MR. GILES:  Right.

14                  COMMISSIONER GAW:  But in regard to the --  
15   what I was looking for is whether or not you had done some  
16   modeling on the IGCC concept with the scenarios on the  
17   carbon if the IGCC involved some sort of sequestration,  
18   and I can't remember whether you did that in the initial  
19   regulatory plan -- or excuse me -- in the initial stip  
20   that was done in '06.

21                  MR. GILES:  My recollection is that we  
22   looked at the carbon output of IGCC due to the fact that  
23   you can capture it more easily if you have a place to put  
24   it.

25                  COMMISSIONER GAW:  Yes.

1                   MR. GILES: And we didn't feel there was  
2     technology yet to determine whether -- what that cost is  
3     or what you can do with it. So we were comparing from a  
4     carbon standpoint IGCC with a supercritical coal unit.  
5     From that aspect, there's not much difference.

6                   COMMISSIONER GAW: If you don't capture it,  
7     you're basically getting the same --

8                   MR. GILES: Right.

9                   COMMISSIONER GAW: I don't know, but I  
10    assume you're getting close to the same carbon emission.

11                  MR. GILES: That's my understanding.

12                  MR. CRAWFORD: The heat rate from an IGCC,  
13    the numbers that I've seen are actually slightly worse  
14    than a supercritical CT fired.

15                  COMMISSIONER GAW: Which would mean what in  
16    regard to carbon?

17                  MR. CRAWFORD: Meaning that on a per  
18    megawatt hour basis, there would be additional carbon.

19                  COMMISSIONER GAW: But if you didn't model  
20    it with a capture on the IGCC and take into account the  
21    minimum, medium and high scenarios?

22                  MR. GILES: I don't believe we did.

23                  COMMISSIONER GAW: I didn't remember that  
24    either, but I -- my memory could easily be wrong.

25                  JUDGE DIPPELL: I believe Mr. Kind had a

1 comment.

2 MR. KIND: I just wanted to comment on a  
3 couple of the topics that have been discussed so far. The  
4 most recent one, Commissioner Gaw, you were asking about  
5 the screening IGCC technology and sequestration, and the  
6 question was whether or not the Stipulation & Agreement  
7 required that. I just wanted to point out, yes, it does  
8 require that. That's something that was very important to  
9 Public Counsel.

10 COMMISSIONER GAW: In which stip?

11 MR. KIND: In the stipulation that you're  
12 reviewing today.

13 COMMISSIONER GAW: Okay. It requires it to  
14 be examined as a part of the resource plan?

15 MR. KIND: Yes, it does.

16 MR. GILES: Correct.

17 COMMISSIONER GAW: Thank you.

18 MR. KIND: And also I just want to mention  
19 that you were discussing the economics of combined cycle  
20 plants under a carbon scenario, and I think maybe a piece  
21 of information, I'm not sure if you're aware of how that  
22 analysis is generally done. Usually when you analyze the  
23 economics of a resource plan under a carbon scenario,  
24 along with assuming you'll have a carbon tax, you also  
25 assume you're going to have heightened natural gas prices

1 because of the increased demand for natural gas when you  
2 have a carbon tax, and that affects the economics then of  
3 combined cycle units being able to run as more of a base  
4 load or intermediate type of resource.

5 COMMISSIONER GAW: On combined cycle and  
6 combustion turbine?

7 MR. KIND: Well, more so just with combined  
8 cycle in order to use it just beyond as a peaking unit, to  
9 use it -- because for every unit of energy output you're  
10 going to have some adder for the cost of carbon added to  
11 it, so that affects the economics of it.

12 COMMISSIONER GAW: Okay. What about  
13 nuclear? I realize the timing as to what you're going to  
14 tell me is, but how does that fit in with this if it were  
15 an option? Doesn't sound like you would have modeled it  
16 in December or whenever that was.

17 MR. GILES: No. What we were -- what we  
18 were looking at as part of the -- I have to make sure now  
19 and get my stip now right, because the stip I was  
20 referring to was the stip for the regulatory plan that was  
21 back in '05, the comprehensive energy plan stip as opposed  
22 to a stip of what we're going to do next on the IRP.

23 COMMISSIONER GAW: Yes.

24 MR. GILES: Having said all that, the IRP  
25 that we do in '08 is really a 2000-- or 20-year look, but

1 it also is going to be very critical of what we do in the  
2 next five years, so from '08 to -- it's really, the way I  
3 view it, is a sort of the post-regulatory-plan plan.  
4 Okay. We've got this that we're pretty much fixed on  
5 until 2010. What are we going to do from 2010 to 2015 and  
6 beyond?

7 I think nuclear will be looked at. I think  
8 IGCC, more efficiency, wind, renewables, all of those are  
9 going to play a critical role in that IRP plan. But in  
10 particular, having said all that, we've got to make  
11 decisions on current existing units, Montrose, within that  
12 '08 time frame and also La Cygne 2, what kind of equipment  
13 to put on it and how soon, because all of those -- one of  
14 the things that we're doing in the modeling that we're  
15 doing according to the stip on the regulatory plan is  
16 continuing to look at Iatan and not looking beyond 2010.

17 When you do the full IRP, you've really got  
18 to look at all your units. You can't just isolate Iatan.  
19 Even today you can say, well, the cost has gone up.  
20 There's carbon issues. That could be very good because it  
21 helps us in that '08 time frame making the decision what  
22 to do with Montrose.

23 COMMISSIONER GAW: One of the issues that  
24 everyone is struggling with is just understanding what it  
25 is that's going to happen with regard to carbon so you can

1 make some decisions.

2 MR. GILES: Right.

3 COMMISSIONER GAW: I think everyone is  
4 struggling with that at this point.

5 MR. GILES: Well, just to add a more  
6 confusing point, the Supreme Court just came out with a  
7 ruling and, my understanding is, have given the EPA the  
8 authority to set carbon rules, which contrary to the Bush  
9 administration said they don't have the authority. So now  
10 we've got a situation where, without legislation, the  
11 current EPA can begin establishing carbon rules. Now, I  
12 don't know if that --

13 MS. WOODS: On motor vehicle emissions.

14 COMMISSIONER GAW: Would that apply, that  
15 authority apply to emissions of power plants?

16 MS. WOODS: The specific statutory  
17 provision that the Supreme Court was looking at was only  
18 relative to motor vehicle emissions. But they did -- I  
19 can see an argument where you could because they did look  
20 at the definition of pollutant.

21 MR. DOTTHEIM: There were two decisions.

22 MS. WOODS: Right. Well, there's the two  
23 energy --

24 MR. DOTTHEIM: There's one relating to  
25 power plants.



1 MS. WOODS: Right. There's the Duke Energy  
2 and the Massachusetts decision. I happen to have copies  
3 of them if anybody's interested.

4 COMMISSIONER GAW: I'd be interested in  
5 seeing that.

6 MR. FISCHER: There was also an article in  
7 the Wall Street Journal yesterday that discussed the  
8 particulars. I don't seem to have it.

9 COMMISSIONER GAW: Was there anything in  
10 addition you wanted to add?

11 MR. FISCHER: Yeah. There was a little bit  
12 of a new source issue, too, that was addressed in one of  
13 the cases.

14 MS. WOODS: That would be the Duke Energy  
15 case.

16 MR. FISCHER: The Duke case.

17 COMMISSIONER GAW: Let me ask in regard to  
18 looking at the additional wind generation, you've got wind  
19 generation contemplated in the original plan from '05-'06.  
20 You've got additional wind generation contemplated as a  
21 result of the stip with the Sierra Club on top of that, if  
22 I'm understanding this correctly.

23 What is the -- what does that mean in  
24 regard to the management of the system and the fleet of  
25 generation that you have, in particular because of the

1 nature of wind? How do you match what up in your system  
2 so that if the wind goes down, you have something  
3 immediately coming on to back it up and fill the load  
4 requirements? Is that plan to be done within the fleet  
5 that you have? Does it require you to have more peaking  
6 units, or are you going to be able to rely on the region  
7 to take care of that from a reliability standpoint?

8 MR. GILES: Let me give you my easy answer,  
9 then he'll have to answer the hard stuff. My easy answer  
10 is that will all be developed and evaluated in this 2008  
11 IRP, which he's got to do.

12 MR. CRAWFORD: Yeah. Based on what limited  
13 experience we do currently have Spearville's 100 megawatt  
14 facility, we're estimating that -- because there are some  
15 impacts from an operational standpoint on your system  
16 because of variability in the wind that you have to carry  
17 additional what's called regulating reserves. Essentially  
18 it's capacity that's online and can respond to second by  
19 second changes in load and generation.

20 And we're figuring that we have to carry  
21 about 10 megawatts worth of extra regulating reserves to  
22 make up for the wind. I must caution, that is with  
23 limited experience.

24 COMMISSIONER GAW: Yes.

25 MR. CRAWFORD: So you add another

1 400 megawatts worth of wind, you know, that may be another  
2 40 megawatts worth of reserves that you have to have for  
3 regulation. Currently we carry regulation on our Montrose  
4 plants. There's enough capacity there that we can carry  
5 them with the existing units. Now, if a decision was made  
6 to retire those, then you're going to possibly be carrying  
7 regulation on La Cygne.

8 And then also the SPP RTO is another  
9 consideration. SPP is discussing possibly consolidating  
10 control area operations and having one big control area  
11 for the RTO.

12 COMMISSIONER GAW: Right.

13 MR. CRAWFORD: And when you do that,  
14 because of the diversity of load, there's much less  
15 regulation required on the system. So to a certain extent  
16 part of that becomes a shared burden. You know, it could  
17 be that the rules are set up where they put it back, you  
18 know, put more of it back on those that have wind in their  
19 portfolio as opposed to those that don't have, or they  
20 could end up just, for lack of a better word, socializing  
21 the regulation amounts and saying each utility carries the  
22 same amount in proportion to the load they've got. So  
23 there's a whole lot of things that factor --

24 COMMISSIONER GAW: I guess they could go to  
25 an ancillary service market, too?

1 MR. CRAWFORD: It very well could.

2 COMMISSIONER GAW: So if you look at that  
3 with the SPP footprint, isn't it the case that there's  
4 more and more wind coming online in that footprint?

5 MR. CRAWFORD: Yes.

6 COMMISSIONER GAW: And doesn't that mean  
7 that there's going to potentially be the need for  
8 additional resources to fill in the gaps, for lack of  
9 better words, when the wind isn't blowing as hard?

10 MR. CRAWFORD: Depending on the magnitude  
11 of how much wind gets added, you may be able to do that  
12 with current regulating resources, because the overall  
13 need for regulation will go down once they consolidate the  
14 control areas, so it --

15 COMMISSIONER GAW: You'll be able to pool  
16 it and share it to some extent, and that could create some  
17 greater efficiencies?

18 MR. CRAWFORD: True.

19 COMMISSIONER GAW: But what I'm getting at  
20 is, at the same time you may be increasing the amount of  
21 wind on the system, that may counteract that improvement?

22 MR. CRAWFORD: Yes.

23 COMMISSIONER GAW: And I don't know how  
24 that fits together relative to one another.

25 MR. CRAWFORD: Right. And I couldn't tell

1    you today. That's going to depend on how much wind gets  
2    added relative to how much the benefits of consolidating  
3    the control area that SPP creates and reduced regulation.

4                   COMMISSIONER GAW: Okay. I understand if  
5    you have haven't examined it at this point, but it is  
6    something that's got to be looked at in the resource plan  
7    moving forward?

8                   MR. CRAWFORD: Yes.

9                   CHAIRMAN GAW: It has to be considered from  
10   your-all's standpoint and not just from Kansas City  
11   Power & Light's?

12                  MR. CRAWFORD: Yeah. And that's something  
13   in terms of the IRP and the modeling work that we'll be  
14   doing, we specifically will take that into account when  
15   you're adding additional wind to the portfolio, how much  
16   additional regulating reserves you need to set aside,  
17   because that does then potentially eat into off-system  
18   sales that you would otherwise be making.

19                  COMMISSIONER GAW: Okay. I want to hit a  
20   couple other topics. I know Commissioner Clayton has a  
21   lot of questions and I'm taking his time up here.

22                  COMMISSIONER CLAYTON: Can't be that many  
23   left.

24                  COMMISSIONER GAW: I can go on for another  
25   two hours if you'd like.

1                   COMMISSIONER CLAYTON: This is not the  
2 Senate.

3                   COMMISSIONER GAW: I forget. The net  
4 metering part of that stip that you just entered into,  
5 what does it call for in regard to allowable credits or  
6 money for generation that's behind the meter? Is it  
7 different than what the -- the statute that's called net  
8 metering in Missouri is?

9                   MR. GILES: No. I think it's the same.

10                  COMMISSIONER GAW: Then how is it -- for  
11 one thing, you've got to know that I don't think that's  
12 really net metering, so I'm trying to understand why the  
13 Sierra Club would have agreed to something if that was --  
14 that fits within our current statute.

15                  MR. GILES: Well, I'm -- I can only go on  
16 what's in the agreement.

17                  COMMISSIONER GAW: Yes.

18                  MR. GILES: And I was as puzzled maybe as  
19 you.

20                  COMMISSIONER GAW: Okay.

21                  MR. GILES: The commitment we've made is  
22 for -- and we've actually -- I've been assigned this  
23 particular job, to sit down with them and work through  
24 what would a net metering tariff look like and how would  
25 it apply and so on. We haven't had our first meeting yet.

1 But I was puzzled myself, because it always comes back to  
2 me, when we throw around a term like net metering with no  
3 definition, I don't know what it means.

4 COMMISSIONER GAW: It always worries me  
5 when we have that kind of a situation in a document  
6 because of concern that we'll be arguing about it later.

7 MR. GILES: And I think my first step is to  
8 sit down with them and make sure I understand what is it  
9 that you think we've agreed to and then we'll see, because  
10 the requirement is we'll work together, we'll propose a  
11 tariff. When I was first approached by it, the  
12 information I received was it was net metering but it  
13 wasn't net metering.

14 So the language that actually got into the  
15 agreement I don't think commits a definition. So that's  
16 our first job. That's as good as I can answer at this  
17 point.

18 COMMISSIONER GAW: That's okay. I'm just  
19 trying to get a grasp of the very basics on it.

20 MR. GILES: To me, net metering the way I  
21 view it is you're paying retail costs for power supply at  
22 any time whenever.

23 COMMISSIONER GAW: Yes.

24 MR. GILES: Now, to me that's really what,  
25 quote, people that use the term net metering really mean

1 and want.

2 COMMISSIONER GAW: That's -- that's one of  
3 the extremes.

4 MR. GILES: Right.

5 COMMISSIONER GAW: Then there's the other  
6 extreme which we have in Missouri, but that's a comment,  
7 editorial standpoint. But there are things in between  
8 those two positions also --

9 MR. GILES: Exactly.

10 COMMISSIONER GAW: -- that are out there.

11 MR. GILES: And there may be different  
12 approaches one would take depending on is this for small  
13 customers, residential, is this for a 20 megawatt  
14 industrial. Those are whole different things, too.

15 COMMISSIONER GAW: Absolutely. Okay. So  
16 that's going to be developed. And then regarding the  
17 demand side management, there are specific result  
18 commitments in here, as I'm understanding it from a very  
19 quick read through this latest stip, but you have to  
20 develop the details on how to get to that?

21 MR. GILES: Right.

22 COMMISSIONER GAW: But you've committed to  
23 a certain amount of demand side management results on a  
24 megawatt basis --

25 MR. GILES: Right.



1 COMMISSIONER GAW: -- correct?

2 And I assume you felt comfortable that you  
3 could get there, the numbers that are cited in here?

4 MR. GILES: Yeah. I think -- I think it is  
5 going to -- this may not be directly responsive to your  
6 question, but I'm going to try to get there.

7 The way I view it is we're committed to  
8 energy efficiency and demand response and renewables as  
9 part of our portfolio. Now, the agreement that we made  
10 with Sierra Club was specifically designed to offset all  
11 the carbon output of Iatan 2.

12 COMMISSIONER GAW: Okay.

13 MR. GILES: That's how those numbers were  
14 developed, so much from wind, so much from energy  
15 efficiency, so many megawatts. Then the kicker was, okay,  
16 doing this level, we still need another 711,000 ton  
17 reduction to get all the carbon offset.

18 COMMISSIONER GAW: All right.

19 MR. GILES: We agreed to do that by some  
20 other means, either efficiency improvements or shutting  
21 down the Montrose unit or something to be determined.

22 COMMISSIONER GAW: Okay.

23 MR. GILES: The way I view the whole  
24 package, and all of those -- maybe with the exception of  
25 the 711 -- all those are subject to regulatory approval.

1 And the way I view that is, we're going to work within the  
2 same processes or the same regulations we have available  
3 to us, which are the IRP process, workshop process. We'll  
4 work to evaluate all of these and the economics and get  
5 another approval, however we get it, whether it's through  
6 a stip, whether it's through a hearing.

7 But ultimately it all comes back to this  
8 IRP that we do in '08. How do these fit in? What are the  
9 costs? And ultimately I think it depends on what that  
10 carbon restriction or carbon tax is and what do you assume  
11 it's going to be. Because depending on that, the IRP  
12 process in the rule is flexible enough to take all of  
13 those things into account. Ultimately the decision that's  
14 made would be a collaboration with Commission approval.  
15 That's kind of how --

16 MR. FISCHER: Commissioner, I'd also point  
17 out that in Section 3B of the collaboration agreement --

18 COMMISSIONER GAW: Yes.

19 MR. FISCHER: -- it is the reduction of  
20 megawatts due to energy efficiency are really more goals.  
21 It's a best efforts standard. It's not a hard and fast  
22 standard. It's the best efforts to get there, if you're  
23 looking at the language in itself.

24 COMMISSIONER GAW: I thought I was reading  
25 somewhere that there's certain megawatts. Maybe that's in

1 a different agreement.

2 MR. FISCHER: Well, there is a reference to  
3 100 and 300 megawatt demand reductions. But I was just  
4 pointing out that in, in that particular section, KCPL  
5 further agrees to exert its best efforts to add a total of  
6 300 megawatts of energy efficiency, unlike the tonnage I  
7 think requirement that is in the agreement.

8 COMMISSIONER GAW: What I see there, and I  
9 don't want to get into what this means because somebody  
10 else will do that somewhere, but it looks like that the  
11 sentence says, Kansas City Power & Light further agrees to  
12 exert its best efforts to add the total 300 megawatt of  
13 energy efficiency in the earliest reasonable time frame,  
14 which --

15 MR. FISCHER: That's true, too.

16 COMMISSIONER GAW: The agreement is to do  
17 the 300 megawatts, but I don't know what your-all's  
18 intention was.

19 MS. MANTLE: This is Lena Mantle.

20 COMMISSIONER GAW: I must have finally  
21 struck a nerve with Staff.

22 MS. MANTLE: No. I just wanted to point  
23 out that, especially with your emphasis on demand  
24 response, those are just, the way I've heard it, and I  
25 wanted to make sure you understood, those are energy

1 efficiency programs that are different than demand  
2 response programs.

3 COMMISSIONER GAW: Yes. My questions are  
4 on demand side management in general now, not on  
5 specifically demand response. So --

6 MS. MANTLE: I wanted to make sure you knew  
7 the dividing line and we're not -- demand response could  
8 be on top of that.

9 COMMISSIONER GAW: Well, I'm going to ask  
10 about demand response in a minute because I do want to  
11 understand how it fits into this, but that -- I'm just  
12 talking about demand side management at this point, which  
13 is conservation and efficiency. Mr. Kind?

14 MR. KIND: Yeah. I just wanted to add on  
15 this Section B that the way these commitments are stated,  
16 they're stated in measurements of demand as opposed to  
17 measurements of energy. You get carbon offsets by  
18 reductions in energy, in other words, reductions in  
19 megawatt hours, as opposed to reduction in megawatts.

20 So presumably somebody had an estimate in  
21 mind of what the change in the load shape is going to look  
22 like when you -- you know, and if you're going to get any  
23 significant carbon reductions, the point is, these are not  
24 just peaking type of energy efficiency programs because if  
25 they're just peaking programs and just getting -- reducing

1 peak in say the top 50 or 100 hours of the year, you're  
2 not going to get substantial carbon reductions.

3 COMMISSIONER GAW: Yeah. Okay. I  
4 understand what you're saying. In other words -- maybe  
5 this is what Ms. Mantle was trying to get across, too, is  
6 that this -- if this is demand side management, it is  
7 exclusive of the subset of demand response. Is that what  
8 you-all were saying?

9 MR. KIND: Well, B is entitled energy  
10 efficiency, with is generally exclusive of demand  
11 response.

12 COMMISSIONER GAW: I understand what your  
13 point was now. Thank you. The question, though, in  
14 regard to demand response itself, was that -- was that  
15 addressed at all in these documents?

16 MR. GILES: No.

17 COMMISSIONER GAW: Is it contemplated as a  
18 part of the resource plan currently or is that something  
19 that's left over to '08?

20 MR. GILES: No. It's contemplated in our  
21 current regulatory plan or comprehensive energy plan. We  
22 have a certain piece that's demand response related and an  
23 energy efficiency piece. So we're undertaking that now.

24 What this agreement primarily dealt with,  
25 and as Lena and Ryan have indicated, was energy. It's

1 really focused on how do we reduce the carbon total  
2 output.

3 COMMISSIONER GAW: Sure.

4 MR. GILES: So it's really focusing more on  
5 programs that would result in, I hate to say permanent  
6 reduction, but essentially you're reducing that amount of  
7 load. It's more rather than controlling the air  
8 conditioner, I'm going to consent to get a higher seer,  
9 and whatever it is on the load curve it's going away.

10 COMMISSIONER GAW: Right. But it's the  
11 reason -- in this case, part of the driving part of it was  
12 the carbon question?

13 MR. GILES: Right.

14 COMMISSIONER GAW: But on demand response,  
15 in regard to shaving peaks, what's contemplated in the  
16 IRP?

17 MR. GILES: Yeah. We will be viewing the  
18 IRP, all programs that we can possibly -- we've done a --  
19 already done a, what do you call it, a technical potential  
20 study, what's out there technically that we could do, both  
21 on demand response and energy efficiency. So those will  
22 both be a part of our IRP in '08.

23 COMMISSIONER GAW: Okay. Now, the IRP stip  
24 does, as you've already said, delay several things 'til  
25 '08. I've got to say, that concerns me in general, and

1 I've heard an explanation in agenda about Staff not having  
2 perhaps enough time currently to do all of the things  
3 that's necessary to get something done sooner than that.  
4 I also think I'm hearing you-all say there's some things  
5 that will be clearer by '08, these stips that you have  
6 both in the IRP and in the collaboration agreement will  
7 work toward a better plan in '08. Am I misstating any of  
8 that from a very general sense?

9 MR. GILES: No. I think you're correct. I  
10 think what we were viewing, there's a -- it's even more  
11 imperative, I guess, now. Sometimes it's better to be, I  
12 guess, lucky than good. Now that we've got this  
13 agreement, this is another piece we've got to roll under  
14 this umbrella and make sure we look at it and evaluate it.

15 Having said that, when we did our  
16 comprehensive energy plan and we did a lot of this  
17 analysis and we came up with this five-year strategy, we  
18 knew that we needed to do another look about '08 time  
19 frame, and we were right in the middle of all the hearings  
20 and the CEP and then the rate case. So that in reality  
21 we're working on it now, and the soonest we'll have it  
22 done is in '08.

23 COMMISSIONER GAW: And what time frame  
24 again is it in '08 that the filing is scheduled?

25 MR. DOTTHEIM: August 5, I believe is the

1 date that's set. August 5, 2008. So I think Mr. Giles is  
2 maybe indicating that it's not just a question of when the  
3 Staff could perform the work, it's also a question of,  
4 even if the Commission were to order the company to  
5 perform the analysis, work now, I'm quite sure the  
6 Commission set a deadline for the company, the company  
7 would do everything within its power to meet that  
8 deadline, but I think the company's indicating there's  
9 certain time frames that are realistic. And what the  
10 Staff I think was being told, that 2008, given the  
11 circumstances, was a realistic time frame that we  
12 considered.

13 MR. GILES: It also -- let me also add to  
14 that. I mean, I completely agree with Mr. Dottheim. The  
15 other critical thing here, and I don't know if I've  
16 actually mentioned this to the Commission, but we've  
17 discussed it in some of our signatory party meetings, we  
18 were scheduled to complete an SCR baghouse and scrubber on  
19 La Cygne 2 -- or no, La Cygne 1. We're already doing the  
20 SCR. We were going to do the baghouse and scrubber on La  
21 Cygne 1, complete it by '09. That date, because of this  
22 activity on these environmental, is pushed out to  
23 completion in 2011.

24 We're still right now getting -- we've gone  
25 out for RFPs and bids, and what we found was no one can do



1 it in that time frame. There's just not enough people,  
2 labor and material. Everything's getting pushed. So the  
3 decisions we have to make on Montrose and energy  
4 efficiency on all of these different aspects are right in  
5 that '08 time frame.

6 Had we done a plan sooner, we wouldn't have  
7 the benefit of all of this. But be that as it may, we've  
8 just completed, as I said, a technical evaluation, what's  
9 the technical potential of demand response, energy  
10 efficiency. Then you step it down and say, okay, what's  
11 the economic potential? What can we realistically do?  
12 We're going through that process right now on sort of a  
13 demand response side.

14 We've still got to look at nuclear, all the  
15 other options, IGCC on the supply side and bring all this  
16 together in the plan and meet all the particular  
17 requirements of the rule, which I hate to say it, but I  
18 will, I was a part author of that rule back in the early  
19 '90s with all the other folks, and it's a very onerous  
20 rule.

21 COMMISSIONER GAW: Well, it depends on what  
22 you mean by onerous.

23 MR. GILES: It's very thorough, let me put  
24 it that way. It's a lot of work.

25 COMMISSIONER GAW: Sure.

1                   MR. GILES: I'm not sure it's not worth it  
2 all. I'm not saying that. Ultimately, you know, you want  
3 to do it the right way, but it is a lot of work.

4                   COMMISSIONER GAW: Sure. Mr. Kind?

5                   MR. KIND: Yes. Thanks. I just had a  
6 comment about just the timing of the filings.

7                   COMMISSIONER GAW: Yes.

8                   MR. KIND: KCPL made what they asserted was  
9 a full IRP filing in July 2006.

10                  COMMISSIONER GAW: Yes.

11                  MR. KIND: And as Chris and others have  
12 noted, due to various circumstances, that filing, what it  
13 actually consisted of, I'll just characterize it as being  
14 very thin, and there were, you know, a lot of -- a lot of  
15 deficiencies that we saw and I think that others saw in it  
16 as well.

17                  So what's come out of the Stipulation &  
18 Agreement is that normally they would have done that  
19 filing in July 2006, and their next filing would be due  
20 then in July of 2009. So what we've actually done here  
21 by -- we have moved the filing forward to August of '08.  
22 So we really are accelerating their next filing ahead of  
23 where it would have otherwise been. And because of just  
24 the schedules of the other IRP filings for the other  
25 companies, that was the most acceleration of that we could

1 do.

2 COMMISSIONER GAW: That's a pretty good  
3 explanation. I appreciate that. But you do have -- you  
4 do have a complete resolution in regard to what should be  
5 filed next year at this stage, correct?

6 MR. KIND: Well, we do. We have a  
7 commitment from the company that, to the extent they need  
8 any waivers from what Chris is characterizing at one point  
9 as a thorough rule, they will make their best efforts to  
10 apply for those waivers at least 12 months in advance so  
11 that other parties will have a chance to weigh in on them  
12 and so actually we can just figure out what their  
13 requirements will be prior to them needing to go through  
14 this fairly lengthy process of fulfilling the  
15 requirements.

16 And I think something that's going to maybe  
17 provide a little bit of assistance to KCPL as it looks to  
18 see how does it want to comply with all the specifics of  
19 the rule is that we have a filing scheduled in the next  
20 couple of weeks for UE to file all the waivers for its  
21 next filing, which is going to occur about six months  
22 prior to KCPL's filings.

23 So KCPL will be able to look at some work  
24 that's been done by UE on waivers in consultation with a  
25 lot of the stakeholders, like Staff and DNR and OPC.

1                   COMMISSIONER GAW: And from Kansas City  
2 Power & Light's standpoint, I know you had several places  
3 where you asked for waivers in the '06 filing. Is there  
4 some level of understanding about what's likely to be  
5 requested as a waiver for '08 at this point among the  
6 people in this room and Kansas City Power & Light?

7                   MR. GILES: I'll let Burton answer more  
8 specifically, but my understanding is we are prepared to  
9 complete -- I mean, to comply with everything in that  
10 stip, that that was our intention.

11                  MR. CRAWFORD: At this point, we don't have  
12 any specific waivers in mind, but it still is early in the  
13 process.

14                  COMMISSIONER GAW: I understand.  
15 Ms. Mantle?

16                  MS. MANTLE: In response to what Chris  
17 Giles said, there are several spots in the Stip &  
18 Agreement where we had pointed out that information was  
19 missing, that KCPL responded with either they will supply  
20 it or ask for a waiver.

21                  COMMISSIONER GAW: Yes.

22                  MS. MANTLE: So --

23                  COMMISSIONER GAW: I noticed some of that.

24                  MS. MANTLE: That's a lot of the document  
25 itself is they will either supply the data or if they see

1 a need for the waiver instead, they will supply the  
2 waiver.

3 COMMISSIONER GAW: But at this stage,  
4 Kansas City Power & Light is saying they don't -- they  
5 haven't identified any particular waivers that they think  
6 will be necessary?

7 MR. GILES: Right.

8 MR. DOTTHEIM: Maybe KCPL can address this  
9 or correct me, but it's my recollection that even that  
10 12-month period can slide to six months, that KCPL must  
11 request waivers no later than six months. It actually  
12 again can slide from 12 months to 6 months. Maybe KCPL  
13 can indicate whether they anticipate at this point whether  
14 if they're going to request any waivers they will be able  
15 to do so 12 months out as opposed to having to go to the 6  
16 months out.

17 MR. GILES: I wasn't aware of the six  
18 months, but Burton could help me here, but my intention  
19 with everything that I have been communicated, we intend  
20 to supply all the data, and if there were to be a waiver,  
21 we would have it to you 12 months before. I don't  
22 anticipate anything at this point. We're going to comply  
23 with the rule.

24 COMMISSIONER GAW: All right. And just I  
25 think two more things. First of all, from everybody's

1 standpoint, does anyone have any information about  
2 something that could be harmful to your clients, to the  
3 ratepayers in regard to -- I know in one sense it may be  
4 moving it up to '08, but in another sense delaying the IRP  
5 beyond the filing from '06 into the '08 time frame? Is  
6 there any concern about anything that we could lose during  
7 that time frame that would be problematic? Mr. Kind?

8 MR. KIND: I want to preface this remark  
9 that OPC fully supports the Stipulation & Agreement.  
10 Obviously there's tradeoffs in coming to an agreement.

11 One of the things that it's sort of been  
12 alluded to earlier today, in discussion of KCPL's  
13 assessment of different levels of carbon tax, and one of  
14 the things that did not occur with KCPL's filing last  
15 summer is for them to do the procedure in the rule for  
16 having KCPL decision-makers assess, assign probabilities  
17 to critical uncertain factors. Obviously one of those  
18 critical uncertain factors is a carbon tax. And obviously  
19 you can understand how that is a very difficult thing to  
20 gauge at this point in time.

21 I think the -- I just sort of want to raise  
22 it as an issue because it did come up earlier today that  
23 KCPL still has not really had its decision-makers assign  
24 subjective probabilities to these different, you know,  
25 levels of taxes actually occurring. And there is some

1 difficulty in, I think, being able to hold the utility  
2 accountable for the major resource acquisition decisions  
3 that it makes without having that information, and that's  
4 a concern just because from Public Counsel's perspective  
5 it's the -- it's really the company that is, you know,  
6 responsible for taking risks and they get rewarded for  
7 their risks.

8                   Now, obviously when you have a regulatory  
9 plan like we had, someone could argue there are some  
10 sharing of risk involved, but that's just the piece that  
11 really frankly we haven't gotten yet in any of this new  
12 round of filings and that we've noticed it as being  
13 lacking and we expect it to be corrected in the future  
14 filings.

15                   COMMISSIONER GAW: Just to clarify, is that  
16 a problem on the timing of the filing or is it an issue  
17 that you're concerned about regarding what might be filed  
18 in '08?

19                   MR. KIND: It's a problem with the time --  
20 well, I mean, it's a problem with the timing of the file  
21 and, frankly, what the obligations that the KCPL has  
22 pursuant to the regulatory plan stip in the resource plan  
23 monitoring section to assess whether or not there have  
24 been any changed circumstances that have led them to need  
25 to reassess the viability of the resources that were

1    agreed to there.  It's hard to say exactly how is that  
2    assessment taking place without knowing what probabilities  
3    they're assigning to different levels of carbon tax.

4                   COMMISSIONER GAW:  Including Iatan 2?

5                   MR. KIND:  Yes.

6                   MR. FISCHER:  Judge, I would also want  
7    note, I think a major backdrop to the July '06 filing of  
8    KCPL was the fact that we had gone through a collaborative  
9    regulatory plan proceeding that included hearings and  
10   discussions with all these parties about these kinds of  
11   issues.  And while it wasn't titled an integrated resource  
12   plan docket, it certainly looked at almost everything that  
13   you'd want to look at in terms of what is the regulatory  
14   resource plan going forward.

15                   We were doing that, and that's one of the  
16   reasons why, as Ryan mentioned, it might have been a thin  
17   filing.  We had a very elaborate backdrop that looked at a  
18   lot of the issues here.

19                   MR. GILES:  Let me respond to Ryan and to  
20   what Jim said.  Jim is exactly right.  But the other thing  
21   we did is we started out that CEP sort of workshop  
22   collaborative process with scenario planning, which was  
23   different than the IRP type planning that had been used  
24   back in the '90s.  The only one we ever filed was '94.

25                   So we were using a scenario.  We did assign



1 probabilities to various scenarios, environmental  
2 scenarios, we called it a green scenario, and what's the  
3 probability of that happening in this time frame. So we  
4 did that. It was a little different than what Ryan's  
5 talking about is when in the IRP rule you assign specific  
6 probabilities. We will do that.

7 COMMISSIONER GAW: Okay.

8 MR. GILES: We will do that in '08. In  
9 fact, I should point out that we actually have on -- we  
10 have an environmental advisory group. We meet quarterly,  
11 the group, the National Resource Defense Council, Rocky  
12 Mountain Institute, an architect that's Bob Berkabow  
13 (phonetic). It's a whole group of -- Mark Warren from  
14 MARC. And we meet quarterly and discuss just this kind of  
15 thing.

16 And so ultimately in that '08 plan you'll  
17 not only have KCPL's decision-makers, probably they'll be  
18 vetted with that environmental group as well.

19 COMMISSIONER GAW: Okay. And my main focus  
20 in regard to the timing here is Iatan 2 and whether or  
21 not, being where we are today, there's any scenario where  
22 the waiting until '08 causes -- might cause some inability  
23 to pick up on some significant change that would cause  
24 there to be a need to change the plans on completing the  
25 project. Now, that may not seem very likely, but that's

1 really at the heart of my question. And if you-all have  
2 anything to offer on that, I'd like to hear it.  
3 Ms. Mantle?

4 MS. MANTLE: Looking at their resource plan  
5 capacity balance sheet, it's pages 2 and 3 of our report,  
6 it is HC, so I can't give you the numbers here.

7 COMMISSIONER GAW: Okay.

8 MS. MANTLE: But KCPL would be positive as  
9 far as capacity balance, I think through 2015.

10 COMMISSIONER GAW: Is that with Iatan up  
11 and running?

12 MS. MANTLE: Yes. Yes, it is with Iatan 2  
13 coming on. Of course, that's with the current, with  
14 Montrose staying on and so forth. So delaying that --  
15 having --

16 MR. DOTTHEIM: Ms. Mantle, those were pages  
17 2 and 3 of the report?

18 MS. MANTLE: Yes. Yeah. They have enough  
19 capacity currently projected. However, there is still  
20 some of the concerns that you have we do have because of  
21 the regulatory plan, they're updating the parties every  
22 quarter. The regulatory plan requires if there's any  
23 significant change, that they will notify the parties.

24 And so we do have at least some information  
25 coming in. I assume they're looking at the resource plan

1 for any significant change as we go through the regulatory  
2 plan, too.

3 COMMISSIONER GAW: Will there be  
4 continuing -- I hope I know the answer to this question.  
5 Will there be continuing communication in regard to the  
6 progress of Iatan 2 with all of the parties that are here  
7 in this room so that if something of significance happens,  
8 there can be some immediate notification of the Commission  
9 of a need to relook at this even if it -- if it occurs  
10 prior to the August '08 date?

11 MS. MANTLE: In addition to the quarterly  
12 updates that they come and meet with us, but there's also,  
13 I believe, with the stip and the agreement in the resource  
14 planning case, there are meetings every six months, such  
15 as what has been going on when the rule had been waived  
16 for that time period where we met with the utilities every  
17 six months. That is to continue, too.

18 COMMISSIONER GAW: Okay. And again,  
19 Mr. Giles, I think you've answered, but there were two  
20 people speaking. If something happens that changes the  
21 outlook on Iatan 2, we've got Kansas City Power & Light's  
22 commitment to communicate that with the parties in the  
23 room and in some fashion get that information to the  
24 Commission if it occurs prior to that '08 August date?

25 MR. GILES: Definitely, yes, we will. In

1 fact, one of the -- one of the things I would like to  
2 explore is how. We provide a quarterly report that not  
3 only gives an update on where we are in construction but  
4 also the costs, schedule, issues, et cetera, and then we  
5 meet and discuss that report. Our next report's coming  
6 out in the middle of May for the first quarter. We'll  
7 have a meeting after that.

8 We always will be meeting, we'll be keeping  
9 people informed. If something occurs, for instance, a  
10 carbon tax comes out and it's specified and we're all  
11 surprised, we're going to quickly get with that group,  
12 quickly get with the Commission.

13 One of the things I would like to do is  
14 find a way to get that quarterly report to the Commission.

15 COMMISSIONER GAW: I was going to ask  
16 whether or not --

17 MR. GILES: I will leave that to the  
18 attorneys to figure out.

19 COMMISSIONER GAW: -- there might be some  
20 way, whether the report or a summary of the report might  
21 be able to be delivered so that all the parties are  
22 comfortable with that, but at least to keep the Commission  
23 somewhat up to date on the progress in an official way.

24 MR. GILES: It's a very, very thorough  
25 report, a lot of information, and it does have an

1 executive summary.

2 COMMISSIONER GAW: Okay.

3 MR. GILES: So if we can figure out how to  
4 do that, I think that would be really helpful.

5 COMMISSIONER GAW: My last question is  
6 really, really off topic here, but I just saw something --  
7 and this is I think for you, Mr. Fischer. I saw something  
8 in this agreement, the collaborative agreement, I believe,  
9 dealing with the destruction of certain documents that  
10 were held by someone, and I won't mention the individual's  
11 name.

12 I think it was mentioned in the  
13 collaborative, and I'm -- I'm just -- I understand those  
14 documents may be highly confidential and there's some  
15 desire to keep them that way, if I'm following this  
16 correctly. I don't have the background on it.

17 I wanted to make sure that -- I'm sure you  
18 all have done this in light of the fact that somebody  
19 raised it earlier, that there may be some inquiry,  
20 subpoenas from other locations for information, that that  
21 that was taken into account and there was not -- that was  
22 not in any way a problem in regard to what -- to other --  
23 to other governmental entities seeking information. And  
24 I'm sorry.

25 MR. FISCHER: Commissioner Gaw, I wasn't

1 personally involved in that, but it's my understanding  
2 that that's referring to the personal library of the  
3 Sierra Club expert, and --

4 COMMISSIONER GAW: I think that's correct,  
5 but I couldn't tell who it was, other than the name.

6 MR. FISCHER: And we obtained from her  
7 information that she relied on and she would like to have  
8 it destroyed, not --

9 COMMISSIONER GAW: So it's going the other  
10 direction?

11 MR. FISCHER: It's going the other  
12 direction.

13 COMMISSIONER GAW: Thank you for that  
14 clarification. I couldn't -- just reading it quickly, I  
15 couldn't tell, and I wanted to make sure we weren't  
16 getting into some area here that would cause others  
17 problems down the road.

18 MS. WOODS: That is Sierra Club's expert.

19 COMMISSIONER GAW: Yes. So there is no  
20 issue there regarding any --

21 MS. WOODS: No.

22 COMMISSIONER GAW: -- request for  
23 information that would be problematic?

24 MR. FISCHER: Not that I'm aware of.

25 MS. WOODS: No. In the event there were a

1 request, for one thing, I still have copies of it, and the  
2 Department's not a party to the collaboration agreement.

3 COMMISSIONER GAW: So it's not gone?

4 MS. WOODS: It's not gone, and also Dr. Fox  
5 certainly has and is adding to the library.

6 COMMISSIONER GAW: Then I understand much  
7 better. Thanks for that clarification, and thanks for  
8 your patience.

9 JUDGE DIPPELL: Commissioner Clayton, do  
10 you have questions?

11 COMMISSIONER CLAYTON: Just a few  
12 questions. I have a couple questions. Ms. Woods, I can't  
13 remember, are you the -- are you an Assistant Attorney  
14 General or are you with DNR?

15 MS. WOODS: I am an Assistant Attorney  
16 General.

17 COMMISSIONER CLAYTON: So you're with the  
18 AG's Office. Okay. And I wanted to ask Mr. Fischer,  
19 obviously with the collaborative agreement, collaboration  
20 agreement and the joint motion to dismiss, the appeal case  
21 is going to go away, and you also made a comment about  
22 you're not aware of any criminal cases or investigations  
23 being ongoing.

24 I wanted to ask if there are any civil or  
25 criminal matters now pending involving KCP&L that you're

1     aware of?

2                     MR. GILES:   Not on this --

3                     MR. FISCHER:  Not on this topic.

4                     COMMISSIONER CLAYTON:  Well, not on the  
5     IRP, not on Iatan 2, Iatan 1, aside from I guess a general  
6     rate increase and then any tort matters.  I don't want to  
7     get into that.

8                     MR. FISCHER:  It's my understanding that  
9     once the Federal District Court dismisses the appeal  
10    involving the regulatory plan, that that is the last  
11    matter of a legal nature that is out there related to  
12    this.

13                    COMMISSIONER GAW:  The Missouri Court of  
14    Appeals?

15                    MR. FISCHER:  Yeah.  What did I say?

16                    COMMISSIONER CLAYTON:  You said federal  
17    court.

18                    MR. FISCHER:  Oh, I'm sorry.

19                    COMMISSIONER CLAYTON:  Freudian slip.

20                    MR. FISCHER:  The Western District of  
21    Missouri Court of Appeals we are hopeful will grant this  
22    motion, and that would take care of the last of the legal  
23    matters.

24                    COMMISSIONER CLAYTON:  Okay.

25                    MS. WOODS:  If I might?



1 COMMISSIONER CLAYTON: Yes, ma'am.

2 MS. WOODS: I do know that the  
3 Environmental Protection Agency's criminal investigation  
4 division has a policy, and I believe, in fact, that all  
5 the United States criminal enforcement groups have the  
6 same policy, and I know my office does as well, that they  
7 do not comment on ongoing criminal matters, up to and  
8 including whether there is a criminal investigation  
9 ongoing.

10 COMMISSIONER CLAYTON: Meaning so that they  
11 will acknowledge or they will not acknowledge?

12 MS. WOODS: They will not acknowledge  
13 whether or not they have a criminal investigation ongoing.

14 COMMISSIONER CLAYTON: So DNR doesn't do  
15 that either?

16 MS. WOODS: Well, DNR may, but the Attorney  
17 General's Office will not, and we encourage the Department  
18 not to do so.

19 COMMISSIONER CLAYTON: To not --

20 MS. WOODS: Not to comment one way or  
21 another.

22 MR. FISCHER: Commissioner, I do understand  
23 there is a landfill permit that needs to be acquired yet,  
24 and that wasn't something that needed to be done until  
25 they started the landfill in the area there. So that

1 would be another exception, I guess.

2 MS. WOODS: Except there is no litigation.

3 MR. FISCHER: There's no litigation. They  
4 just don't have the permit, is my understanding.

5 MS. WOODS: Right.

6 COMMISSIONER GAW: If I could butt in real  
7 quick. On the Court of Appeals question, that's -- is  
8 it -- are you-all pretty sure that that's going to be  
9 dismissed with the vacation of the original order?  
10 Because sort of -- everyone's sort of assuming that in  
11 this conversation, but I haven't seen anything or heard  
12 anything to indicate that may -- that that is the case.

13 MR. DOTTHEIM: That was just filed  
14 yesterday, was it not, Mr. Fischer?

15 MR. FISCHER: Yes.

16 COMMISSIONER GAW: I'm done.

17 COMMISSIONER CLAYTON: I wanted to ask,  
18 there were a number of filings that occurred throughout  
19 2006, and in terms of I know the cost estimates, there  
20 were time periods of January, April and then even  
21 December. Was there any impact on the rate case that  
22 concluded in December on any of the cost estimates or any  
23 changes in the product as a result of the rate case  
24 result?

25 MR. GILES: No.

1 COMMISSIONER CLAYTON: None at all?

2 MR. GILES: None at all.

3 COMMISSIONER CLAYTON: And one of the  
4 things that were listed on the notice that we sent out  
5 asking about comparisons of other generation resources,  
6 one of them was nuclear and I think I heard you say that  
7 you excluded an evaluation of nuclear because of time; is  
8 that correct?

9 MR. GILES: When we do the updates, right,  
10 but as part of the IRP process, we will include nuclear.

11 COMMISSIONER GAW: Ongoing?

12 MR. GILES: Right.

13 COMMISSIONER GAW: But in terms of the --  
14 in terms of the choice of Iatan 2, was nuclear considered?

15 MR. GILES: Back in '04, I don't know.

16 MR. CRAWFORD: I don't believe it was.

17 MR. GILES: I don't believe it was.

18 COMMISSIONER CLAYTON: Can you tell me, are  
19 there any provisions in either -- in either the -- either  
20 the Stipulation & Agreement, the collaborative agreement,  
21 any of the IRP discussions about large-scale cogeneration  
22 or distributed generation, examples of combined heat and  
23 power, any type of technology, small-scale generation and  
24 distributed?

25 MR. GILES: We haven't specifically

1 addressed that in any of these agreements. We continue to  
2 look at it and promote it. In fact, we've got an  
3 agreement with Sprint on their campus to use their  
4 distributed generation and call upon it for our use. But  
5 in general there's not a -- no reference to that in these  
6 documents. That would be something you would look at in  
7 the IRP.

8 COMMISSIONER CLAYTON: In the IRP?

9 MR. GILES: Yeah.

10 COMMISSIONER CLAYTON: Does KCPL have any  
11 studies that it's done on concepts like CHP or any type of  
12 larger scale distributed generation?

13 MR. GILES: The only one that I'm aware of  
14 is the Sprint. We do have a contract with Sprint where  
15 they can provide us with four and a half megawatts of  
16 power any time we call upon it.

17 COMMISSIONER CLAYTON: Where does that come  
18 from?

19 MR. GILES: It's on the Kansas side. It's  
20 on their campus. They also have scattered distribution  
21 that we can aggregate and we can call upon. I don't think  
22 there's been any study done as to the economics of that.  
23 The issue we're having with them, as part of that contract  
24 we pay for the fuel. It turns out we've never gotten to  
25 the point where it's economic to dispatch it because we're

1     paying also for the gas.   So --

2                     COMMISSIONER CLAYTON:   Are they diesel

3     power?

4                     MR. GILES:   Yes.

5                     COMMISSIONER CLAYTON:   They're just diesel

6     generators?

7                     MR. GILES:   Yes.

8                     COMMISSIONER CLAYTON:   Okay.   Do you have

9     any idea of what the cost is per megawatt hour?   You say

10    it's not cost effective to dispatch.   Do you have any

11    idea?

12                    MR. GILES:   I don't.

13                    MR. CRAWFORD:   I don't recall.

14                    COMMISSIONER CLAYTON:   Okay.

15                    JUDGE DIPPELL:   Mr. Kind, you had a

16    comment?

17                    MR. KIND:   Something that's sort of related

18    to distributed generation, Commissioner, is there is a

19    commitment in the Stipulation & Agreement for KCPL to

20    evaluate generation from landfill gas specifically in

21    there, but other types of alternative generation haven't

22    been addressed.   We would expect them to look at them just

23    as part of a prudent planning process.

24                    COMMISSIONER CLAYTON:   Is it public

25    information to ask what you estimate the final cost per

1 megawatt hour for the construction of this facility? Is  
2 that public information?

3 MR. GILES: It is. We have published it.  
4 Iatan 2 cost per kilowatt based on our current budget  
5 control estimate is 1,875 per megawatt -- I mean per  
6 kilowatt. 1,875. That excludes coal inventory, which is  
7 typically excluded.

8 COMMISSIONER CLAYTON: It excludes fuel,  
9 then?

10 MR. GILES: Yeah. So it's 1,875, and that  
11 also excludes AFUDC. That's just the basic construction  
12 cost.

13 COMMISSIONER CLAYTON: And that includes  
14 all SCRs or --

15 MR. GILES: Right.

16 COMMISSIONER CLAYTON: -- environmental  
17 upgrades, everything?

18 MR. GILES: Everything.

19 COMMISSIONER CLAYTON: Okay.

20 MR. GILES: And that's -- the figures we've  
21 seen on estimates, that's probably right in the middle  
22 between what's been built in the last five years and  
23 what's projected for the next five.

24 COMMISSIONER CLAYTON: So do you have an  
25 estimated cost per kilowatt in construction cost for the

1 other comparative generation sources? Is that a document  
2 that's somewhere in the materials that are already filed?

3 MR. CRAWFORD: We've got numbers for  
4 IGCC -- I'm sorry -- combined cycle unit and for  
5 combustion turbine that we use as a comparison when we're  
6 doing that analysis, looking at either one of those  
7 alternative resource plans would be better than the  
8 Iatan 2 case.

9 COMMISSIONER CLAYTON: Okay.

10 MR. CRAWFORD: And then I do have a number  
11 for IGCC from a recently published document from, I  
12 believe it was EPRI that compares to the number that  
13 Mr. Giles provided for Iatan 2, and that's \$2,670 per KW.

14 COMMISSIONER CLAYTON: Do you know the cost  
15 per kilowatt hour for the combined cycle or the CTs  
16 offhand? If you don't, that's fine.

17 MR. CRAWFORD: For combined cycle, \$665 per  
18 KW, and for combustion turbine, \$525 per KW.

19 COMMISSIONER CLAYTON: Is that from the  
20 original workshops? Did you have that material in the  
21 original?

22 MR. CRAWFORD: These numbers have been  
23 updated since the original workshop.

24 COMMISSIONER CLAYTON: Since the original.  
25 And you didn't go into discussion about nuclear or

1 distributed generation in that analysis?

2 MR. CRAWFORD: No.

3 COMMISSIONER CLAYTON: Okay. What is the  
4 impact moving forward of the proposed acquisition of  
5 Aquila on these resources?

6 MR. GILES: It shouldn't have any impact in  
7 the short run. We're filing at FERC to -- and at the  
8 states, in fact today, to maintain separate control areas  
9 and separate generation and separate generation planning  
10 at this point due to FERC's concern with market power.

11 It's our intent and hope that once we get  
12 the FERC approval for the acquisition, that we'll be able  
13 to come back at a later date and make a motion to have  
14 market-based rates and integrate both systems into one  
15 control area.

16 COMMISSIONER CLAYTON: What is the size,  
17 how many megawatts is Iatan 2?

18 MR. GILES: Our share is 465. The total  
19 plant is 850.

20 COMMISSIONER CLAYTON: 850. So what is  
21 Aquila's share?

22 MR. GILES: Aquila's is -- I'm trying to  
23 remember. I think they have the larger one. 155  
24 megawatts. 155 megawatts.

25 COMMISSIONER CLAYTON: And then Empire has



1 the rest?

2 MR. GILES: Empire has 105. Capco has 30,  
3 MJMEUC has 100.

4 MR. CRAWFORD: Missouri Joint Municipal  
5 Electric Utility Commission.

6 COMMISSIONER CLAYTON: I just wrote MJMEUC.  
7 Have you run an analysis, does the choice of size and  
8 generation resource make sense with pending combination of  
9 Aquila and KCP&L?

10 MR. GILES: Not for -- I mean, we haven't  
11 done anything for the current Iatan because the thought is  
12 we're going to have separate control areas at least  
13 through 2010. But beyond 2010 and even as soon as the '08  
14 time frame, we probably want to look at both exactly what  
15 you're saying, is look for future resource planning do we  
16 combine generation, joint dispatch and planning.

17 We probably will look at it separate and  
18 together until we get approval from FERC to combine that,  
19 would be my guess.

20 COMMISSIONER CLAYTON: After being here for  
21 two hours, I think my checklist is complete. So thank you  
22 all for making yourselves available to come in.  
23 Appreciate it. I do think it's a different world that  
24 we're in compared to when the workshops began, when the  
25 planning started, just in the short time that I've been on

1 the Commission. The tone of the conversation's completely  
2 shifted, and it's not a matter of if or what but when and  
3 how. And in light of the decisions that have been made in  
4 the past, just makes you wonder and hope that all that  
5 planning will pay off.

6 I appreciate you coming in, and I don't  
7 think I have anything else, Judge.

8 JUDGE DIPPELL: Thank you. Are there any  
9 other comments or questions that any of the attorneys  
10 would like to ask to make, any clarification points?  
11 Mr. Dottheim? Mr. Conrad? Ms. Woods? Mr. Fischer, did  
12 you have anything?

13 MR. FISCHER: No. Appreciate the approval  
14 of the stip.

15 JUDGE DIPPELL: Seeing nothing further,  
16 then, I believe that concludes the stipulation hearing and  
17 we can go off the record. Thank you.

18 WHEREUPON, the hearing of this case was  
19 concluded.

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## 1 C E R T I F I C A T E

2 STATE OF MISSOURI )  
3 COUNTY OF COLE ) ss.

4 I, Kellene K. Feddersen, Certified  
5 Shorthand Reporter with the firm of Midwest Litigation  
6 Services, and Notary Public within and for the State of  
7 Missouri, do hereby certify that I was personally present  
8 at the proceedings had in the above-entitled cause at the  
9 time and place set forth in the caption sheet thereof;  
10 that I then and there took down in Stenotype the  
11 proceedings had; and that the foregoing is a full, true  
12 and correct transcript of such Stenotype notes so made at  
13 such time and place.

14 Given at my office in the City of  
15 Jefferson, County of Cole, State of Missouri.

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17 Kellene K. Feddersen, RPR, CSR, CCR  
18 Notary Public (County of Cole)  
My commission expires March 28, 2009.

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