

1 STATE OF MISSOURI  
2 PUBLIC SERVICE COMMISSION  
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6 TRANSCRIPT OF PROCEEDINGS  
7 Evidentiary Hearing  
8 April 29, 2008  
9 Jefferson City, Missouri  
Volume 19

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

15  
16 JUDGE HAROLD STEARLEY, Presiding,  
REGULATORY LAW JUDGE.  
17 CONNIE MURRAY,  
ROBERT CLAYTON,  
18 TERRY JARRETT,  
COMMISSIONERS.  
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1 P R O C E E D I N G S

2 JUDGE STEARLEY: All right. Good  
3 morning. It is Tuesday, April 29th. We are back on  
4 the record with Case No. EM-2007-0374. And starting  
5 with the preliminary matters, let me issue my  
6 customary warning to please shut off all  
7 BlackBerries, cell phones and other electronic  
8 devices which would possibly interfere with our  
9 recording and web casting.

10 Additionally, I wanted to run through  
11 our ever-shuffling list of witnesses just to be sure  
12 I've got everyone listed correctly this morning. We  
13 are picking back up with the issue of  
14 creditworthiness with GPE calling Giles and Cline to  
15 be followed by Staff calling Downey, Chessser, Easley,  
16 Grimwade, Davis, Jones, Foster, Rose, Schallenberg,  
17 followed by Public Counsel calling Trippensee. Have  
18 I got that correct?

19 MR. DOTTHEIM: Judge, I advised the  
20 company just a few minutes ago that the -- the Staff  
21 at this point does not see the -- the need to call  
22 either Mr. Steven Jones or Mr. John Grimwade.

23 JUDGE STEARLEY: All right. Very well.  
24 I will --

25 MR. ZOBRIST: Judge, just in case I

1 misheard, we're beginning with Mr. Giles and then  
2 going to Mr. Downey, Mr. Chesser and Mr. Cline.

3 JUDGE STEARLEY: Okay. I got Mr. Cline  
4 out of order there. Mr. Cline is still being called  
5 by GPE, though; is that correct?

6 MR. ZOBRIST: Correct.

7 JUDGE STEARLEY: All right.

8 MR. DOTTHEIM: Mr. Cline being called by  
9 the Staff.

10 JUDGE STEARLEY: Okay.

11 MR. DOTTHEIM: Oh, excuse me, no,  
12 that's -- that's -- that's correct.

13 JUDGE STEARLEY: Okay.

14 MR. DOTTHEIM: And -- and the Staff was  
15 also calling Mr. Cline, but -- but Mr. Cline does  
16 have testimony filed which does address  
17 creditworthiness.

18 MR. ZOBRIST: Correct.

19 JUDGE STEARLEY: All right. Very good.  
20 Are there any other preliminary matters we need to  
21 take up at this time?

22 (NO RESPONSE.)

23 JUDGE STEARLEY: Well, hearing none, GPE  
24 may call Mr. Giles to the stand.

25 MR. ZOBRIST: Chris Giles is being

1 called to retake the stand.

2 JUDGE STEARLEY: Good morning,  
3 Mr. Giles.

4 THE WITNESS: Good morning.

5 JUDGE STEARLEY: I'll remind you that  
6 you're still under oath.

7 THE WITNESS: Right.

8 JUDGE STEARLEY: And as I had told you  
9 when you were previously up for testimony, we will be  
10 taking regularly scheduled breaks or semi-scheduled  
11 depending on how testimony flows, but if you should  
12 need an additional break, please let me know.

13 THE WITNESS: Okay.

14 JUDGE STEARLEY: You may proceed.

15 CROSS-EXAMINATION BY MR. DOTTHEIM:

16 Q. Morning, Mr. Giles.

17 A. Good morning.

18 Q. Sorry to ask you back to Jefferson City.  
19 Mr. Giles, in your work at Kansas City Power & Light,  
20 do you have occasion to have dealings with credit  
21 rating agencies?

22 A. Yes, I do.

23 Q. Okay. And which agencies would those  
24 be?

25 A. Standard & Poor's and Moody's.



1           Q.       And are you aware of certain factors  
2       that may be perceived as positive or negative items  
3       by credit rating agencies?

4           A.       I'm generally aware. I'm -- I don't  
5       work with them every day.

6           Q.       Did Standard & Poor's lower the credit  
7       rating of Kansas City Power & Light's commercial  
8       paper after the announcement of GPE's proposal to  
9       acquire Aquila?

10                  MR. ZOBRIST: Judge, I'm going to  
11       object. This is cumulative and redundant of  
12       testimony that was already asked of Mr. Bassham  
13       yesterday. This is not a financial witness. He's  
14       the vice president of regulatory affairs.

15                  JUDGE STEARLEY: Mr. Dottheim?

16                  MR. DOTTHEIM: This is relevant. It is  
17       on creditworthiness. I don't think it is cumulative.

18                  JUDGE STEARLEY: Would you restate the  
19       question for me? You can read it back, Pam.

20                  (THE COURT REPORTER READ BACK THE  
21       PREVIOUS QUESTION.)

22                  JUDGE STEARLEY: I believe that is  
23       cumulative and I will sustain the objection.

24       BY MR. DOTTHEIM:

25           Q.       Mr. Giles, you have previously testified

1     that one of the reasons that the transaction  
2     presently before the Commission was structured in the  
3     manner in which it was is because -- to insulate  
4     Kansas City Power & Light from the liabilities of  
5     Aquila?

6             A.     I don't believe I used the term  
7     "insulate," but in general, yes, I would agree.

8             Q.     What -- what word did you use or do you  
9     recall what word you used?

10            A.     I believe that was in response to a  
11     question from Commissioner Murray, and she had asked  
12     me what were the primary reasons why we did not  
13     attempt to merge Aquila with KCP&L. And one of those  
14     reasons I listed was the liabilities that Aquila  
15     currently was exposed to to that. That's generally  
16     my answer.

17            Q.     Well, can you identify, then, why KCPL's  
18     creditworthiness was negatively impacted by the  
19     transaction as it was structured when the transaction  
20     was announced?

21            A.     I don't know that it was or it wasn't.

22            Q.     The credit rating of KCPL's commercial  
23     paper was lowered, was it not?

24            A.     I don't know.

25            Q.     Mr. Giles, you're familiar with the

1 Kansas City Power & Light regulatory plan, are you  
2 not?

3 A. I am.

4 Q. Okay. And there are assurances in the  
5 Kansas City Power & Light regulatory plan that KCPL  
6 will recover its prudent investments?

7 A. Yes.

8 Q. Those assurances do not go to imprudent  
9 investments, do they?

10 A. Well, the regulatory plan doesn't  
11 contemplate any additional investments other than  
12 what's contained in the regulatory plan, but the  
13 regulatory plan specifically assumes that prudent  
14 costs will be recovered.

15 Q. Is it fair to say that Kansas City Power  
16 & Light currently has the risk that some of its  
17 construction expenditures can be disallowed recovery  
18 in customer rates?

19 A. Utilities always have that risk.

20 Q. Will disallowance of actual expenditures  
21 place negative pressure on Kansas City Power &  
22 Light's credit rating?

23 A. I would anticipate it would.

24 Q. Mr. Giles, I'm going to hand you a copy  
25 of the Stipulation and Agreement in Case No.

1 EO-2005-0329. You don't happen to have a copy of  
2 that with you at the stand, do you?

3 A. No, I don't.

4 Q. (Mr. Dottheim handed the witness a  
5 copy.) And I'd like to direct you to page 28.

6 A. Okay.

7 Q. Okay. And I'd like to direct you to the  
8 section Q on that page that has the heading Cost  
9 Control Process For Construction Expenditures.

10 A. Yes, I see that.

11 Q. Okay. And that section states, does it  
12 not, "KCPL must develop and have a cost control  
13 system in place that identifies and explains any cost  
14 overruns above the definitive estimate during the  
15 construction period of the Iatan 2 project, the wind  
16 projects and the environmental investments"?

17 A. Yes.

18 Q. Did I read that accurately?

19 A. Yes.

20 Q. The phrase there, "the environmental  
21 investments," is the Iatan 1 project covered by the  
22 environmental investments?

23 A. Yes, it is.

24 Q. Are the environmental investments that  
25 are covered also the environmental investments for

1 secondary catalytic reduction flue gas  
2 desulfurization unit and bag house at LaCygne 1?

3 A. Yes.

4 Q. Mr. Giles, do you recall what is the  
5 time frame identified for the timely infrastructure  
6 investments under the KCPL regulatory plan?

7 A. There -- there was a planned time frame.  
8 I'm not sure there was a -- as you described it, a  
9 required time frame.

10 Q. Will all of the LaCygne 1 environmental  
11 enhancements be completed within the time frame of  
12 the KCPL regulatory plan?

13 MR. ZOBRIST: Judge, I'm going to  
14 interpose an objection. As I understand the  
15 Commission's ruling, it was that the  
16 interrelationship of the Iatan projects with GPE's  
17 acquisition of Aquila was to be explored in this  
18 session, not other projects of the CEP. So I believe  
19 this is not relevant to the inquiry that the  
20 Commission permitted us -- permitted Staff to inquire  
21 into at this time.

22 JUDGE STEARLEY: Mr. Dottheim, your  
23 response?

24 MR. DOTTHEIM: Well, I believe it is --  
25 it is relevant. It's related to the comprehensive

1 energy plan of which Iatan 1 and 2 projects are parts  
2 and LaCygne 1 is another principal part.

3 JUDGE STEARLEY: Mr. Zobrist, any  
4 further?

5 MR. ZOBRIST: I have nothing further to  
6 add.

7 JUDGE STEARLEY: Okay. I believe that  
8 is starting to exceed the scope of our limitations  
9 imposed last week, Mr. Dottheim. I'm going to  
10 sustain the objection.

11 MR. MILLS: Judge, may I ask a  
12 clarifying question?

13 JUDGE STEARLEY: Certainly.

14 MR. MILLS: Is the scope -- well, I  
15 think I -- perhaps I understand this from the ruling.  
16 Is the scope limited to solely construction projects  
17 at Iatan 1 and Iatan 2 and we're not allowed to  
18 inquire into other construction projects within the  
19 comprehensive energy plan?

20 JUDGE STEARLEY: I believe we restricted  
21 to those between the Iatan projects and the  
22 acquisition of Aquila.

23 MR. MILLS: Okay. So any other  
24 construction expenditures or capital expenditures of  
25 KCPL are off limits?

1 JUDGE STEARLEY: It would depend on the  
2 nature. I mean, I will take up individual objections  
3 made to individual questions and how those might  
4 relate to the creditworthiness of the company --

5 MR. MILLS: Okay.

6 JUDGE STEARLEY: -- but I'm -- but I'm  
7 following this as the general guideline as -- in  
8 which we restricted the scope of the testimony.

9 MR. MILLS: Okay. And so just so I'm  
10 clear when I get to my questioning, any questions  
11 about LaCygne are off limits?

12 JUDGE STEARLEY: I'll take up any  
13 objections at that time to your questions.

14 MR. MILLS: Okay.

15 JUDGE STEARLEY: I'm not sure the  
16 context of questions you'll be asking, Mr. Mills, so  
17 I'm not going to give you a premature ruling on  
18 anything.

19 MR. MILLS: Okay. I -- okay. Then may  
20 I ask for a clarification of the ruling on  
21 Mr. Dottheim's question about LaCygne, the basis for  
22 disallowing that question?

23 JUDGE STEARLEY: I believe Mr. Zobrist  
24 stated it succinctly, that we were talking about --  
25 or it allowed the interrelationship between the Iatan

1 projects and Great Plains Energy acquisition, and  
2 Mr. Dottheim's question had strayed into the  
3 territory beyond the scope of that limitation. We  
4 can read back Mr. Dottheim's question in  
5 particular --

6 MR. DOTTHEIM: Judge?

7 JUDGE STEARLEY: -- if you wish. Yes,  
8 Mr. Dottheim.

9 MR. DOTTHEIM: If I could also direct  
10 you to issue No. -- No. 10 on the second list of  
11 issues and order of opening statement, witnesses and  
12 cross-examination. It's not labeled by a one or a  
13 two, but it's on page 9.

14 JUDGE STEARLEY: I'm not finding my  
15 copy, Mr. Dottheim. Could you bring yours forward to  
16 me?

17 MR. DOTTHEIM: Yes. I don't have a  
18 second copy but I don't think you'll find the words  
19 Iatan 1 or Iatan 2 or just the word Iatan. I think  
20 the reference is to the Kansas City Power & Light  
21 regulatory plan which LaCygne 1 is part.

22 MR. ZOBRIST: Well, Judge, that -- that  
23 is absolutely correct. However, Great Plains and  
24 KCPL filed a motion to limit the scope of the  
25 evidence, and that was sustained by the Commission



1 with the exception of the interrelationship between  
2 the Iatan projects and Great Plains Energy's  
3 acquisition of Aquila. So I understood that the  
4 Commission's ruling narrowed the breadth of that  
5 issue that Mr. Dottheim is referring to.

6 JUDGE STEARLEY: And that is my position  
7 as well. We did limit the scope, Mr. Dottheim.  
8 Thank you.

9 MR. DOTTHEIM: I'm sorry.

10 MR. MILLS: No, go ahead.

11 MR. CONRAD: Judge, so that I'm clear,  
12 is that one of those that you're also precluding or  
13 the Commission is precluding an offer of proof?

14 JUDGE STEARLEY: The Commission  
15 precluded an offer of proof on anonymous letters.

16 MR. CONRAD: I asked you about this --  
17 this question.

18 JUDGE STEARLEY: Oh, I'm --

19 MR. CONRAD: The Iatan -- the LaCygne  
20 projects are clearly within the scope of the  
21 comprehensive energy plan or the regulatory plan.

22 JUDGE STEARLEY: I don't believe the  
23 ruling last week precluded --

24 MR. CONRAD: Okay.

25 JUDGE STEARLEY: -- an offer of proof on

1     that and I'd be happy to hear one, Mr. Conrad.

2                   MR. CONRAD: Well, I'm not doing the  
3     questions.

4                   JUDGE STEARLEY: But you're not asking  
5     questions so that would be Mr. Dottheim's choice.

6                   MR. DOTTHEIM: Judge, I don't recall  
7     the -- that -- the way that the Commission is  
8     structured, the Staff making offers of proof, so I am  
9     not going to make an offer of proof.

10                  JUDGE STEARLEY: All right. Thank you,  
11     Mr. Dottheim.

12     BY MR. DOTTHEIM:

13           Q.     Mr. Giles, the term "definitive  
14     estimate" is -- is used in the paragraph I referred  
15     you to on page 28 of the Stipulation and Agreement in  
16     Case No. EO-2005-0329. Can you provide a definition  
17     of definitive estimate?

18           A.     I can. I -- the -- I don't believe it  
19     is defined in the document, first of all. My years  
20     of experience in the regulatory area, for regulatory  
21     purposes, definitive estimate is typically meant the  
22     equivalent to what we call a control budget estimate.  
23     It's an estimate that we track to, that if there's  
24     any changes to that estimate, there would be a  
25     starting point, a tracking point.

1                   In the industry, definitive estimate is  
2   used differently. In the construction industry,  
3   definitive estimate is typically an estimate  
4   associated with being 70 to 80 percent complete with  
5   engineering.

6                   MR. DOTTHEIM: At this time I'd like to  
7   have another exhibit marked.

8                   JUDGE STEARLEY: All right. I believe  
9   we're up to 140 for Staff.

10                   (EXHIBIT NO. 140HC WAS MARKED FOR  
11   IDENTIFICATION BY THE COURT REPORTER.)

12   BY MR. DOTTHEIM:

13               Q.     Mr. Giles, I've handed you a copy of  
14   what's been marked as Exhibit 140. It's a multipage  
15   document with a e-mail attached to it. Can you  
16   identify the document?

17               A.     The document is titled Comprehensive  
18   Energy Plan - Construction Projects - Cost Control  
19   System.

20               Q.     And do you recognize the e-mail that is  
21   attached to it?

22               A.     Yes, I do.

23               Q.     Okay. And could you explain what the  
24   document Comprehensive Energy Plan - Construction  
25   Projects - Cost Control System is?

1           A.       This document basically describes the  
2 cost control system.

3           Q.       Is this a final document or a draft  
4 document?

5           A.       I don't recall.

6           Q.       And can you identify how this document  
7 relates to the paragraph on page 18 -- excuse me,  
8 page 28 of the Stipulation and Agreement in Case  
9 No. EO-2005-0329?

10                   MR. ZOBRIST: Judge, I object. I think  
11 this is going beyond the scope of the Commission's  
12 order. This is now going into the cost control  
13 system for the entire comprehensive energy plan. It  
14 does not deal with the interrelationship of the Iatan  
15 projects as they relate to the proposed acquisition  
16 of Aquila and they do not relate to the  
17 creditworthiness of the company.

18                   JUDGE STEARLEY: Mr. Dottheim?

19                   MR. DOTTHEIM: Yes, I'm going to  
20 establish -- I've asked Mr. Giles about the term  
21 "definitive estimate" that appears in -- in this  
22 document. It's an important term for purposes of  
23 this area and the matter of the reforecast and the  
24 creditworthiness. I am not going into this document  
25 in great detail.

1 JUDGE STEARLEY: All right. I will  
2 overrule and you may proceed. Mr. Zobrist, if you  
3 feel we're straying again, you can certainly raise  
4 another objection.

5 THE WITNESS: I don't know if this was  
6 the final document or not. I presume that this is  
7 related to the cost control system that's contained  
8 in the regulatory plan stipulation. We do have a  
9 cost control system, we did develop one, presented it  
10 to the parties, and this document appears to be that.  
11 I'm just not sure whether it's the current one or  
12 not.

13 BY MR. DOTTHEIM:

14 Q. I'd like to refer you to page 8 of that  
15 document, and in particular, I'd like to refer you to  
16 the second-to-last paragraph in that document on that  
17 page --

18 A. Okay.

19 Q. -- and the last sentence. The term  
20 "definitive estimate" appears, does it not?

21 A. Where did you say?

22 Q. Mr. Giles, I thought I indicated page 8,  
23 the second-to-last paragraph --

24 A. Oh.

25 Q. -- on that page, the last sentence.

1           A.       Okay. I -- I thought you said the last  
2 paragraph.

3           Q.       I'm sorry. I may have said that.

4           A.       Okay. Yes, I see the word "definitive  
5 estimate."

6           Q.       And is that term used in a manner in  
7 which that term is -- is used on page 28 of the  
8 Stipulation and Agreement?

9           A.       Yes, they're consistent.

10          Q.       Okay. Thank you. Are you familiar with  
11 the term "control budget estimate"?

12          A.       Yes, I am.

13          Q.       Could you provide a definition of the  
14 term "control budget estimate"?

15          A.       Well, as I believe I indicated earlier,  
16 our definition of control budget estimate is  
17 equivalent to what is contained here as definitive  
18 estimate. It is the estimate that we control to, we  
19 track to. Any revisions to that control budget  
20 estimate would essentially have a line-by-line  
21 reconciliation to what was contained in the control  
22 budget estimate.

23          Q.       Are you familiar with the reforecasting  
24 process that has been occurring regarding Iatan 2 and  
25 the Iatan 1 projects?

1           A.       I am generally familiar with it. I'm  
2 not familiar with the details of the work, but, yes,  
3 I'm familiar with it.

4           Q.       How does the reforecasting process  
5 relate to the definitive estimate, if it relates at  
6 all?

7           A.       It definitely relates. It -- as I  
8 indicated, the reforecast will tie back to specific  
9 items in the control budget estimate so that one  
10 could easily track any changes, whether those changes  
11 were related to quantities, scope, pricing, whatever  
12 the issue that might have caused a change in the  
13 estimate.

14          Q.       Will the reforecasting process develop a  
15 new definitive estimate?

16          A.       No.

17          Q.       Would you agree that the risk of  
18 regulatory disallowances increase as expenditures  
19 exceed the definitive estimates?

20          A.       No.

21          Q.       Would you please explain your answer?

22          A.       I don't think disallowances necessarily  
23 have anything to do with the absolute cost of a  
24 project. If decisions are prudent, decisions are  
25 prudent.

1           Q.       Mr. Giles, do you recall when the  
2   reforecasting process commenced?

3           A.       The current process started about the  
4   latter part of January of 2008. Prior to that time,  
5   in the fall of 2007, a large part of the data  
6   collection had begun as part of a risk and  
7   opportunity analysis, and ultimately that data  
8   gathering was to result in a reforecast. But the  
9   actual reforecast in my mind didn't really begin in  
10  earnest until after January 22nd.

11          Q.       What was the separating point or factors  
12  between the time frame in the process that you've  
13  identified between fall 2007 and the latter part of  
14  January?

15                 MR. ZOBRIST: Judge, I object. I  
16  believe -- again, I believe we're getting into the  
17  details of the reforecasting process, the prior risk  
18  and analysis -- risk analysis that Mr. Giles referred  
19  to, and I don't see that going to the issue of the  
20  relationship of the Iatan projects and the reforecast  
21  numbers today and Great Plains Energy's acquisition  
22  of Aquila.

23                 I think those kinds of questions dealing  
24  with reforecast process, the events that led up to  
25  it, you know, what happened in the fall of 2007, what



1 began in January of 2008 are beyond the scope of the  
2 Commission's order.

3 JUDGE STEARLEY: Mr. Dottheim?

4 MR. DOTTHEIM: The duration of the  
5 process, what was entailed in the process, what was  
6 originally envisioned and the necessity for the  
7 process all go to the creditworthiness issue.

8 JUDGE STEARLEY: Okay. I will overrule.  
9 You may answer the question.

10 THE WITNESS: In late January of 2008, a  
11 couple of teams were established at both the Iatan 1  
12 and Iatan 2, and those teams were charged with doing  
13 a very detailed, thorough analysis of both projects,  
14 both covering any number of issues, including  
15 availability of labor, labor productivity, schedule,  
16 quantities, scope.

17 And during that period from January up  
18 until last week, those two teams were working  
19 literally nearly 'round the clock to vet those  
20 numbers and those issues with their team and present  
21 it to the executive oversight committee, which they  
22 did last Friday.

23 BY MR. DOTTHEIM:

24 Q. Can you identify the reason or reasons  
25 for the initiation of the process that commenced in

1 the initial time frame you identified which I believe  
2 was fall, 2007?

3 A. Just in general, in the fall of 2007,  
4 the project leadership were preparing risk and  
5 opportunity analysis that we would include in our  
6 quarterly reports to the parties and the Commission.  
7 And during that process, they began to question  
8 whether a reforecast might be more appropriate.

9 Q. Why were they questioning whether a  
10 reforecast might be more appropriate?

11 A. Well, in looking at the risk and  
12 opportunities and the number of change orders that  
13 were already known, the ones they anticipated, the  
14 labor issues and labor productivity issues,  
15 essentially all tied back to the cost control system  
16 that we put in place.

17 The cost control system was working  
18 exactly as we thought it would, and it was alerting  
19 the team that they needed to look at this in further  
20 detail.

21 Q. Were they seeing trends respecting cost  
22 overages?

23 A. I don't believe so, but I -- I can't  
24 speak specifically to what they were seeing.

25 Q. And you made reference to a team. Could

1 you identify, were there specific individuals?

2 A. There were. I don't know all of the  
3 individual team members. It was largely the  
4 leadership at the Iatan 1 and 2 projects.

5 Q. Could you identify who the leadership  
6 was?

7 A. I can't. Mr. Downey probably can.

8 Q. You've made reference to risk and  
9 opportunity analysis.

10 A. Yes.

11 Q. Could you provide an explanation of what  
12 you mean by that term?

13 MR. ZOBRIST: Judge, you know, I'm going  
14 to object again. This is the vice president of  
15 regulatory affairs. He's not doing the reforecast,  
16 he sits in the oversight committee, and we're  
17 beginning to go beyond areas of his expertise and  
18 we've got other witnesses who can address these  
19 questions.

20 JUDGE STEARLEY: I think to the extent  
21 that Mr. Giles has knowledge on this, he can answer  
22 the question. If he doesn't, he can simply say that  
23 he doesn't know.

24 THE WITNESS: I can only speak in  
25 general terms as -- as it related to what we included

1 in our quarterly reports to the signatories of the  
2 regulatory plan. The risk and opportunity table was  
3 an attempt to look down the road and identify  
4 potential opportunities or risks, whether they were  
5 costs or schedule-related or some combination of the  
6 two. That's the extent of my knowledge.

7 BY MR. DOTTHEIM:

8 Q. Mr. Giles, you're a member of the  
9 comprehensive energy plan oversight committee?

10 A. Yes.

11 Q. Is that oversight committee sometimes  
12 referred to as the executive oversight committee?

13 A. Yes.

14 Q. Is the comprehensive energy oversight  
15 committee charged with reviewing the activity  
16 respecting the infrastructure projects regarding the  
17 Stipulation and Agreement in Case No. EO-2005-0329?

18 A. Yes.

19 Q. Has the CEP oversight committee received  
20 regular reports respecting the reforecasting process?

21 A. We met and received the results of the  
22 process on Friday of last week. Prior to that time,  
23 I'm not recalling that, other than general status  
24 reports that we continued to work on it, that there  
25 weren't any interim steps that I was aware of.

1           Q.       Do you recall whether there was a  
2 meeting scheduled in January that was canceled?

3           A.       There was a meeting scheduled in  
4 January. I don't believe it was canceled.

5           Q.       Do you recall -- what do you recall  
6 about that meeting?

7                   MR. ZOBRIST: Judge, I'm going to object  
8 again. I mean, this is not the time to go into  
9 meetings, you know, whether meetings were canceled,  
10 whether they were held. It's the effect on the  
11 company's credit rating, it's the relationship of the  
12 Iatan projects to this merger. This is a merger  
13 case, this is not the CEP case. I believe it's  
14 beyond the scope of the Commission's order.

15                   JUDGE STEARLEY: Perhaps, Mr. Dottheim,  
16 if you can explain how you're going to tie this in  
17 for us.

18                   MR. DOTTHEIM: Again, it -- it goes  
19 to -- it goes to the process of Iatan 1 and 2 and the  
20 responsibility that the company is charged with under  
21 the Stipulation and Agreement, Case No. EO-2005-0329  
22 and the additional responsibilities that it is  
23 seeking to take on through the merger application as  
24 for this Commission. And how the impact of the  
25 ability of the company to handle either one of the

1 projects, let alone the two together, relates to its  
2 ability to maintain its investment-grade standing is  
3 the entire issue.

4                   It goes to the merger savings synergies.  
5 The company has told the Commission that it can  
6 project ten years out merger savings synergies. This  
7 issue goes to can the company even manage a  
8 construction project and keep to the definitive  
9 estimate it originally derived. It's relevant.

10                   JUDGE STEARLEY: I will overrule and allow  
11 similar questioning along this line. Mr. Zobrist,  
12 once again, I'm sure you will further object, so --  
13 if you think we're crossing the line. So at this time,  
14 Mr. Giles, you can answer that question.

15                   THE WITNESS: Would you repeat the  
16 question?

17 BY MR. DOTTHEIM:

18           Q.       Mr. Giles, I was asking you about a --  
19 an oversight committee meeting that was scheduled for  
20 January, whether it was canceled, and you indicated  
21 that you did recall that there was a meeting canceled  
22 but that something else occurred.

23                   And considering the oversight committee  
24 is established to review the construction projects  
25 related to the comprehensive energy plan, I was

1 asking you what you do recall about that meeting that  
2 I was referring to.

3 A. To the -- to my -- to my recollection,  
4 that particular meeting, we were presented with the  
5 reforecast process that would be undertaking -- that  
6 we would be undertaking from that point forward.

7 Q. Do you recall whether you and the other  
8 members were originally scheduled to receive numbers  
9 resulting from the reforecast process itself?

10 A. Well, you're using reforecast process as  
11 a singular term. And as I indicated on the 22nd, we  
12 first saw the reforecast process laid out as to how  
13 it would be going forward.

14 Originally, on January 22nd, we were  
15 scheduled to give a presentation from Dave Price who  
16 was then vice president of construction. We did not  
17 receive that presentation; instead, we looked at the  
18 reforecast process going forward.

19 Q. Do you know the reason for the change  
20 that occurred at the meeting from what the original  
21 agenda was?

22 A. I believe the reason for the change was  
23 that Mr. Price had continued to do the risk and  
24 opportunity analysis. He had prepared his latest  
25 version and was prepared to present that as a

1 reestimate of the project. And at that point, it was  
2 determined that it was not a reestimate of the  
3 project and a reestimate did need to occur, and the  
4 process then was explained on the 22nd how we would  
5 go about doing that.

6 MR. DOTTHEIM: If I could have a moment,  
7 please?

8 JUDGE STEARLEY: Certainly, Mr. Dottheim.

9 MR. DOTTHEIM: I'm going to hand  
10 Mr. Giles a highly confidential exhibit, so I think  
11 we're going to have to go in-camera.

12 JUDGE STEARLEY: Has this document  
13 already been marked for evidence?

14 MR. DOTTHEIM: It's -- it's Exhibit 132.  
15 It's the company's response to Public Counsel's data  
16 request question No. 1006.

17 JUDGE STEARLEY: All right. Very well.  
18 We will go in-camera. And again, I'll leave it to  
19 the attorneys to police the gallery as need be.

20 (REPORTER'S NOTE: At this point, an  
21 in-camera session was held, which is contained in  
22 Volume 20, pages 2429 through 2433 of the transcript.)

23

24

25



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

3 CROSS-EXAMINATION (CONTINUED) BY MR. DOTTHEIM:

4 Q. Mr. Giles, why don't I just ask that  
5 question again. Is it your understanding that there  
6 will be an additional reforecast respecting Iatan 2  
7 project before it is completed?

8 A. I don't know that there will be or there  
9 won't be. It's a possibility.

10 Q. Do you know on what basis that  
11 determination will be made?

12 A. No.

13 Q. Mr. Giles, do you have any expectation  
14 that the Iatan 1 or the Iatan 2 projects will be  
15 completed at the cost level that the CEP oversight  
16 committee were provided on Friday?

17 A. I don't have any reason or basis to  
18 question what was presented to us.

19 Q. And the presentation on -- on Friday, in  
20 addition to cost projections, there were also  
21 scheduled projections, were there not?

22 A. Yes.

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

25 JUDGE STEARLEY: Certainly,

1 Mr. Dottheim.

2 BY MR. DOTTHEIM:

3 Q. Mr. Giles, for purposes of clarity, the  
4 Stipulation and Agreement in Case No. EO-2005-0329,  
5 the numbers in that Stipulation and Agreement  
6 respecting the construction projects, can you  
7 identify whether those numbers are with or without  
8 AFDUC?

9 A. They are without.

10 MR. DOTTHEIM: At this time I'd like to  
11 have marked as an exhibit Exhibit No. 141.

12 JUDGE STEARLEY: 141.

13 (EXHIBIT NO. 141 WAS MARKED FOR  
14 IDENTIFICATION BY THE COURT REPORTER.)

15 MR. DOTTHEIM: Judge, I'd like to have  
16 another exhibit marked, and that would be Exhibit 142.

17 JUDGE STEARLEY: 142.

18 (EXHIBIT NO. 142 WAS MARKED FOR  
19 IDENTIFICATION BY THE COURT REPORTER.)

20 BY MR. DOTTHEIM:

21 Q. Mr. Giles, have you had an opportunity  
22 to look at Exhibits 141 and 142?

23 A. I have.

24 Q. And Exhibit 141 is a stream of e-mails,  
25 the last one being from yourself. Can you identify

1 Exhibit 141?

2 A. Exhibit 141 is a response from me to  
3 Todd Kobayashi with several other officers copied  
4 explaining the difference between the comprehensive  
5 energy plan original estimate and any changes or  
6 potential changes to that estimate. The e-mail was  
7 forwarded then to -- from me to Mike Chesser and  
8 copied to John Grimwade.

9 Q. Thank you. And I'd like to next direct  
10 you to Exhibit 142.

11 A. Okay.

12 Q. Which is an e-mail from Michael  
13 Deggendorf to you --

14 A. Yes.

15 Q. -- to you and to which is attached a  
16 multipage document. Can you identify that document?

17 A. Yes. This is a e-mail from Mike  
18 Deggendorf -- Michael Deggendorf to me, and attached  
19 to the e-mail is a communication strategy to  
20 communicate the control budget estimate which was  
21 completed in December of 2006.

22 MR. DOTTHEIM: Thank you, Mr. Giles. At  
23 this time I'd like to offer Exhibits 140, 141 and  
24 142.

25 JUDGE STEARLEY: Are any of these

1 exhibits highly confidential, Mr. Dottheim?

2 MR. DOTTHEIM: Exhibit 142, on the  
3 bottom of the pages after the cover page is the word  
4 "confidential." I don't know if the company  
5 considers the documents still to be confidential with  
6 the passage of time or not.

7 MR. ZOBRIST: Judge, if I could have a  
8 moment at the break. These may be stale numbers and  
9 therefore not highly confidential, but if I could  
10 have a moment to -- at our next break to consult with  
11 the financial experts, I can give you an answer on  
12 that.

13 JUDGE STEARLEY: All right. Very well.  
14 Why don't we wait until then, and Mr. Dottheim, you  
15 can offer them up at that time.

16 MR. DOTTHEIM: Sure.

17 JUDGE STEARLEY: All right. Then you've  
18 completed your examination, Mr. Dottheim.  
19 Examination by Public Counsel.

20 MR. MILLS: Thank you. Just a -- just a  
21 few questions.

22 CROSS-EXAMINATION BY MR. MILLS:

23 Q. Mr. Giles, do you still have a copy of  
24 Exhibit 142 with you?

25 A. I do.

1           Q.       On page 1 of the PowerPoint attached to  
2 that, where would I find the Iatan 1 projects?

3           A.       I believe those would be in the line  
4 indicated "Environmental."

5           Q.       So are all of the costs shown under  
6 "Environmental" Iatan 1 projects?

7           A.       No. I think that includes LaCygne 1 as  
8 well.

9           Q.       All right. So for purposes of this  
10 slide, KCPL put LaCygne 1 and Iatan 1 together?

11          A.       I -- I believe so, yes.

12          Q.       Now, from a -- sort of a high-level  
13 perspective, what -- what are Iatan 1 projects that  
14 are included in this CEP?

15          A.       Included is an SCR bag house and  
16 scrubber.

17          Q.       And what are the LaCygne projects  
18 included in the CEP?

19          A.       Same.

20          Q.       And what is the -- what is the, in the  
21 CEP, the expected time frame for the Iatan 1  
22 projects?

23          A.       The expected time frame is to be  
24 completed by the end of this year.

25          Q.       And for LaCygne?

1           A.       LaCygne was in two phases. The SCR was  
2     completed in -- I believe in May or June of 2007, and  
3     the bag house and scrubber were anticipated in the  
4     regulatory plan to be completed in 2009. Those two  
5     pieces of equipment have been delayed and we will not  
6     be completing those in 2009.

7           Q.       So at least in terms of the CEP, the  
8     LaCygne projects and the Iatan 1 projects were the  
9     same type of construction over roughly the same  
10    three-year period?

11          A.       Well, no, not the same time frame. The  
12    LaCygne -- first phase of LaCygne was prior to  
13    LaCygne -- or Iatan 1 being completed and the second  
14    phase was after Iatan 1.

15          Q.       But all of them were to have been  
16    completed between 2007 and 2009?

17          A.       Yes.

18          Q.       Now, in terms of whether or not further  
19    reforecast will be done on the Iatan 1 and Iatan 2  
20    projects, is that a decision that will be made by the  
21    EOC?

22          A.       It will ultimately be made by the EOC,  
23    but the input of the leadership team and the vice  
24    president of construction will carry a lot of weight  
25    whether that reforecast is needed or not.

1 Q. Now, how long have you been at KCPL?

2 A. 33 years.

3 Q. So you were at KCPL during the Wolf  
4 Creek construction?

5 A. Yes, I was.

6 Q. Was the cost estimate of completing Wolf  
7 Creek raised several times during its construction?

8 MR. ZOBRIST: Judge, I object. That's  
9 not relevant or consistent with the Commission's  
10 order regarding what we're here today to talk about.

11 JUDGE STEARLEY: Mr. Mills?

12 MR. MILLS: If I may respond. First of  
13 all, this is cross-examination. In Missouri you're  
14 allowed some latitude. Secondly, I think it is  
15 relevant to show with respect to whether or not it's  
16 likely that this current reforecast number which was  
17 just placed in the record yesterday is likely to be  
18 the final word.

19 KCPL has experienced in the  
20 not-too-distant past of constructing a major base  
21 load unit, and I think some brief examination into  
22 the experiences during that last big construction  
23 project have some bearing on whether or not we can  
24 expect -- what kind of level of confidence we can put  
25 in the current reforecast for the Iatan 1/Iatan 2

1 projects.

2 JUDGE STEARLEY: Okay. And was this  
3 project a part of the CEP?

4 MR. MILLS: No. This project was -- was  
5 years before the CEP.

6 JUDGE STEARLEY: All right. Then I'm  
7 going to overrule. You may proceed.

8 MR. ZOBRIST: Judge, if I might add one  
9 other thing. I believe a foundation needs to be laid  
10 for this witness to give any testimony with regard to  
11 the Wolf Creek project. That's not been laid.

12 MR. MILLS: Well, Judge, he said he  
13 was --

14 JUDGE STEARLEY: Perhaps, Mr. Mills, you  
15 can lay a little additional foundation for us as you  
16 proceed.

17 BY MR. MILLS:

18 Q. Do you know whether the cost of  
19 completing Wolf Creek was raised several times during  
20 its construction?

21 A. I believe it was.

22 Q. Okay. To date, how many times has the  
23 cost estimate of Iatan 2 been raised?

24 A. It has not been raised. It will be  
25 raised after the board meets.



1 Q. Okay. And that would be --

2 A. That would be one.

3 Q. That would be the first time. Okay.

4 How many times in total do you recall that the cost  
5 of Wolf Creek was raised?

6 A. I don't know.

7 Q. More than one?

8 A. I don't know.

9 Q. Now, turning back, if you will, to --  
10 I'm sorry -- the exhibit number is 142, the first  
11 page of that PowerPoint. And without -- without  
12 getting into these numbers because they may yet be  
13 highly confidential, I'm going to return your  
14 attention to the line under "Environmental."

15 Is the LaCygne 1 and Iatan 1 projects in  
16 total, are those the only items that are within that  
17 "Environmental" line or are there other expenditures  
18 there?

19 A. I believe those would be the only ones.

20 Q. Okay. And what proportion of that --  
21 that number or that series of numbers is Iatan 1 and  
22 what is LaCygne 1? Are they roughly evenly split?

23 A. I don't know.

24 Q. Don't know if one is -- is a great deal  
25 more expensive than the other or roughly the same?

1           A.       Don't know.

2                   MR. MILLS:   That's all the questions I  
3 have.   Thank you.

4                   JUDGE STEARLEY:   Thank you, Mr. Mills.  
5 Examination by AgProcessing?

6                   MR. CONRAD:   Again, just a couple,  
7 Judge, but we'll start out.

8 CROSS-EXAMINATION BY MR. CONRAD:

9           Q.       Mr. Giles, I believe Mr. Dottheim asked  
10 you a question about whether you believe the  
11 environmental projects are referenced on 142.  I'm  
12 going to ask you about it in that way, but we've  
13 identified that the "Environmental" line on 142  
14 includes dollars for LaCygne and some other things,  
15 right?

16          A.       Yes, I -- I believe those are both  
17 LaCygne 1 and Iatan 1.

18          Q.       The wind thing isn't in there?

19          A.       No.

20          Q.       I think Mr. Dottheim asked you if the  
21 LaCygne portion of that -- you may have answered this  
22 already -- is going to be completed within the term  
23 of the Iatan plant -- or excuse me, the regulatory  
24 plan.  Do you recall that question?

25          A.       I don't think he asked me that specific

1 question.

2 Q. Well, let's try that one, then.

3 A. Okay.

4 Q. Do you know?

5 A. The original plan was to complete the  
6 LaCygne second phase in '09. Due to construction  
7 lead times, that's been pushed out and we will not be  
8 able to complete that until at least the end of 2011.

9 Q. And the regulatory plan ends when?

10 A. The regulatory plan ends with the  
11 completion of Iatan 2.

12 Q. Is there some carryover with respect to  
13 the regulatory plan that goes beyond that date?

14 A. There are several provisions that carry  
15 over beyond that date. I don't recall all of them.

16 Q. Sure, but that's the basic end date --

17 A. Yes.

18 Q. -- is when Iatan 2 comes into service or  
19 is there a hard date?

20 A. I believe it's tied to the in-service of  
21 Iatan 2. There are -- there are certain provisions  
22 that extend beyond that.

23 Q. Now, let me direct you to 141. I think  
24 that was -- well, I'm going to ask you some questions  
25 about 141 -- Exhibit 141, and I'm not sure what our

1 status is.

2 MR. CONRAD: There doesn't appear to be  
3 anything that's a hard number, and I don't intend to  
4 ask about something that would cause HC, but, you  
5 know, counsel hasn't indicated he's gone through this  
6 yet, so what do we do?

7 MR. ZOBRIST: Which exhibit, Mr. Conrad?

8 MR. CONRAD: 141.

9 MR. ZOBRIST: I don't see any numbers in  
10 Exhibit 141. The e-mail?

11 MR. CONRAD: Right.

12 MR. ZOBRIST: I don't think that's  
13 highly confidential.

14 MR. CONRAD: Dated May 3, 2006.

15 MR. ZOBRIST: Correct.

16 MR. CONRAD: Okay.

17 JUDGE STEARLEY: All right. You may  
18 proceed, Mr. Conrad.

19 MR. CONRAD: Thank you.

20 BY MR. CONRAD:

21 Q. I'm looking, Mr. Giles, at the larger  
22 paragraph. And the second sentence in that starts --  
23 starts with "All participants" and goes on to talk  
24 about "in the process." Do you see that?

25 A. I do.

1           Q.       What is -- this is -- you're the author  
2 of this -- that paragraph, right?

3           A.       Yes.

4           Q.       When you say "in the process," what  
5 process is it you're referring to?

6           A.       The regulatory plan process.

7           Q.       Okay. But what process is that? Is  
8 that the -- the negotiations and the discussions that  
9 resulted in the Stipulation and Agreement or some  
10 other process?

11          A.       Well, I was using that term very  
12 generically and would encompass from the time we  
13 began talking with workshops all the way through  
14 culmination of approval by the Commission.

15          Q.       Now, if I were to diagram that sentence,  
16 I'd end up with the subject "all participants" and  
17 the verb "understood"; would you agree?

18          A.       You are much more skilled at diagraming  
19 sentences than I am.

20          Q.       I don't know about that. But you'd --  
21 you'd agree with me that the thrust of the sentence  
22 at least is all -- the first part of it certainly,  
23 "All participants in the process understood"?

24          A.       Yes, that's what it says.

25          Q.       Okay. The point -- what is the basis

1 for your statement that "All participants  
2 understood"?

3 MR. ZOBRIST: Judge, I'm going to object  
4 at this point. I believe inquiry into a memo that's  
5 two years old relating to the CEP process is not  
6 relevant to the interrelationship of the Iatan  
7 projects on the acquisition of Aquila or on  
8 creditworthiness or credit debt rating agency issues.

9 JUDGE STEARLEY: I'm going to overrule.  
10 You can answer to the extent that you might have a  
11 recollection, Mr. Giles.

12 THE WITNESS: Well, my recollection is  
13 that during the discussions in the regulatory plan,  
14 we had a PDR, or a project definition report. That  
15 was the extent of our information regarding cost of  
16 the project at Iatan.

17 And we had received no bids at that  
18 point, so you know, the point I'm making here is that  
19 without any bids and purely a project definition  
20 report based on some preliminary -- very preliminary  
21 engineering surveys would not constitute a definitive  
22 estimate or what we call a control budget estimate.

23 BY MR. CONRAD:

24 Q. So is -- would it be fair to kind of  
25 telescope that -- that sentence down to just say that

1 a definitive estimate wasn't available at that point?

2 A. Yes.

3 Q. Now, a definitive estimate is available  
4 now, isn't it?

5 A. Yes.

6 Q. When did it become available?

7 A. It was completed in December of 2006.

8 Q. And that's the same -- well, strike  
9 that. Your terminology for definitive estimate, I  
10 take it, is a control budget?

11 A. Yes.

12 Q. So it would be fair in any of the  
13 documentation involving the regulatory plan when we  
14 see the phrase "control budget," that equates to  
15 definitive estimate?

16 A. Yes.

17 Q. And vice versa?

18 A. Yes.

19 Q. A equals B so B equals A?

20 A. Yes.

21 MR. CONRAD: Now, this next question,  
22 Judge, I'd like to try to avoid it, but it seems  
23 like -- well, I'll just ask.

24 BY MR. CONRAD:

25 Q. Is the definitive estimate on Iatan 2 a

1 highly confidential number?

2 JUDGE STEARLEY: Mr. Zobrist, Mr. Giles?

3 MR. ZOBRIST: I believe it is, Judge.

4 THE WITNESS: The -- the definitive  
5 estimate or the control budget estimate?

6 MR. ZOBRIST: No, it's not.

7 BY MR. CONRAD:

8 Q. What is that number, Mr. Giles?

9 A. That number is for Iatan 2, 1.685  
10 billion.

11 Q. Is there a corresponding definitive  
12 estimate on the work on Iatan 1?

13 A. There is. I don't -- I --

14 Q. Is that number highly confidential?

15 A. No.

16 Q. What is that number, Mr. Giles?

17 A. I believe it's 384 million, I believe.

18 I'm not as -- I'm not as confident, but it's right  
19 around that range.

20 Q. Now, referring to -- oh, well, before we  
21 leave 141, Mr. Giles, looking again at your  
22 paragraph, the last sentence, "As long as we follow  
23 the requirements set out in the Stipulation and  
24 Agreement, we should have no issues regarding  
25 recovery of prudently incurred costs." Did I read



1 that correctly?

2 A. Yes.

3 Q. Okay. The "we" there is -- just for  
4 clarification, the pronoun, who is the "we"?

5 A. We is Kansas City Power & Light.

6 Q. Not Great Plains?

7 A. No.

8 Q. Okay. "The requirements" refers to  
9 what?

10 A. The requirements generically with regard  
11 to reporting, monitoring, tracking of the costs of  
12 schedule, reporting it to the signatory parties,  
13 rerunning the MIDAS model to determine whether  
14 material changes would change the decision. Those  
15 are all requirements of the stipulation.

16 Q. And just to try to tie this up a little  
17 bit, are those requirements -- maybe not completely,  
18 but are those comprehended in the material to which  
19 Mr. Dottheim referred to -- referred you to on  
20 page 28 of the Stipulation and Agreement?

21 A. I'm not sure I understand that question.

22 Q. That didn't come out very well, I grant  
23 you that. The Stipulation and Agreement that's  
24 referred to in that sentence is the regulatory  
25 plan --

1           A.       Yes.

2           Q.       -- correct?  Okay.  And Mr. Dottheim  
3 referred you to a portion of that on page 28?

4           A.       Yes.

5           Q.       Okay.  Is -- does that completely state  
6 the requirements that you're referring to or are  
7 there others?

8           A.       There are others.

9           Q.       Distributed throughout --

10          A.       Yes.

11          Q.       -- the -- the regulatory plan?  But  
12 those are part of the requirements to which you're  
13 referring?

14          A.       Yes.

15          Q.       Okay.  Could I then interpret your  
16 sentence correctly that if KCPL does not follow  
17 those, does not follow those requirements and other  
18 requirements as you've indicated are distributed  
19 throughout the Stipulation and Agreement, you might  
20 have issues regarding recovery of let's just call it  
21 incurred costs?

22          A.       Potentially, yes.

23          Q.       Now, going back, I want to kind of  
24 finish -- try to finish up, Mr. Giles, with 141, so  
25 you can put that aside and look at 142 again.  And

1 Mr. Mills had talked to you about the "Environmental"  
2 line?

3 A. Yes.

4 Q. And you indicated that was the three  
5 projects, I think the SCR, bag house and scrubber at  
6 Iatan 1, correct?

7 A. Yes.

8 Q. And similar projects at LaCygne?

9 A. Yes.

10 Q. But you were not able to break out  
11 that -- the rough percentages or -- out of the -- the  
12 number that's shown there? I don't want to say the  
13 number because I guess --

14 A. Right.

15 Q. -- that's still ...

16 Is there a definitive estimate for those  
17 projects, being -- "those projects" being the part of  
18 that "Environmental" line that is not Iatan 1?

19 A. There is not.

20 Q. So there is no control budget on those  
21 projects?

22 A. The LaCygne 1 first phase, which was the  
23 SCR, has been completed on budget. That was roughly  
24 80 -- \$80 million. The second phase of LaCygne 1,  
25 bag house and scrubber, has not been --

1 Q. Remember, we're in public session.

2 A. -- has not been estimated at this point.  
3 There's not a control budget estimate for that  
4 project.

5 Q. Now, looking again at 142 and  
6 concentrating on that line "Environmental," the first  
7 number there is -- in the column says, "Without  
8 contingency." Do you see that?

9 A. I do.

10 Q. And then there is a second set of  
11 columns, low/high, which appear to be maybe  
12 surplusage on that number -- I won't say the number,  
13 don't ask you to. Is that number reflective of the  
14 absence of a control budget on those projects?

15 A. Which -- which line?

16 Q. "Environmental."

17 A. Yes. Those -- that -- that total  
18 environmental cost is not in total based on control  
19 budget estimates.

20 Q. So I'd need really to move across to the  
21 total that really sums the initial number and the  
22 contingency number, would I not?

23 A. Right.

24 Q. Do you have available or could it be  
25 made available to you, Exhibit 125? This is,

1 Mr. Giles, I think --

2 MR. CONRAD: And I do think this is at  
3 this point highly confidential, Counsel?

4 MR. ZOBRIST: Correct.

5 JUDGE STEARLEY: Do we need to go  
6 in-camera?

7 MR. CONRAD: I'm going to try to avoid  
8 it. And to do that, Judge, if I could have just a  
9 moment to confer with KCPL counsel?

10 JUDGE STEARLEY: Certainly.

11 (DISCUSSION HELD OFF THE RECORD.)

12 BY MR. CONRAD:

13 Q. Do you have that before you, Mr. Giles?

14 A. Yes, I do.

15 Q. First of all, I'm presuming you have  
16 seen this document?

17 A. Yes, I have.

18 Q. Probably don't take it to bed with you  
19 at night, but you're at least familiar with it?

20 A. I am familiar with it.

21 Q. Look, if you would, I believe it's how  
22 it's put together here. It's actually the second  
23 physical page, but it's page 3. And down -- the very  
24 last -- I believe it is the last paragraph on that  
25 page and focus your attention on that. And actually,

1 the next-to-the-last sentence that -- you see that?

2 A. I do.

3 Q. In that sentence there's reference --

4 MR. CONRAD: And I cleared this, Judge,

5 I think, with counsel.

6 BY MR. CONRAD:

7 Q. -- there is a phrase there, "Various  
8 environmental projects." Do you see that phrase?

9 A. Yes.

10 Q. If you know and if you can do so without  
11 disclosing information that the company considers to  
12 be highly confidential, identify for me what those  
13 various environmental projects are. I understand  
14 this isn't your -- your letter, but what you -- what  
15 you think the authors of the letter might be  
16 referring to.

17 A. I don't know the assumptions that were  
18 given to S&P. I really can't say.

19 Q. Correspondingly -- and again, I don't  
20 intend to ask you anything that would require the  
21 disclosure of highly confidential information, but  
22 look with me toward the top of page 2. And there are  
23 really three columns there. There's -- there's --  
24 under the second bullet, there's "Years," there's a  
25 second column and a third column. So far so good?

1           A.       I'm with you so far.

2           Q.       Look for just a moment on -- for the  
3       "Years" and the -- and the two columns with numbers  
4       there. Are those broken out in any way that you see  
5       on this letter between environmental projects and the  
6       projects up near Weston?

7           A.       Not that I can see from this.

8           Q.       Within the scope of your knowledge,  
9       would you have knowledge about how those columns  
10      would break out if you were -- in other words, if you  
11      were to say how much of the first column with dollars  
12      in it was for the Weston projects and how much was  
13      for somewhere else?

14          A.       I don't know.

15          Q.       Of your own knowledge you don't know how  
16      that would break out?

17          A.       No.

18          Q.       Would you say, though, would you agree  
19      with me that when you look at 125 as a whole, the  
20      author of that letter, authors of that letter appear  
21      to be approaching the company as a -- as an entity;  
22      that is, KCPL and/or Great Plains? Here it would be,  
23      I think, Great Plains, would it not?

24          A.       I believe that's true. Mr. Cline  
25      probably would be better to answer that.

1 Q. And he'll be up later?

2 A. Right.

3 Q. But at least insofar as you're familiar  
4 with this letter and the background of it, the  
5 authors of the letter are approaching Great Plains as  
6 a -- as a total entity and evaluating the  
7 creditworthiness of Great Plains?

8 A. That's my understanding.

9 Q. As a total entity, right?

10 A. Well, they -- they actually do both  
11 Great Plains and KCP&L, but, you know, the details on  
12 how they do it and -- that's better for Mr. Cline.  
13 He's more familiar with -- with this than I am.

14 MR. CONRAD: Very good. Thank you,  
15 Mr. Giles, and again, best wishes. Thanks -- thank  
16 you. Your Honor, that's all I have.

17 JUDGE STEARLEY: Thank you, Mr. Conrad.  
18 Any examination by Black Hills?

19 MR. DeFORD: No, thank you.

20 JUDGE STEARLEY: Aquila.

21 MS. PARSONS: No, your Honor.

22 JUDGE STEARLEY: Any other parties? I'm  
23 not seeing any. And I will issue my customary  
24 statement on that, that any parties who are not  
25 present for examination of these witnesses on these



1 issues will have been considered to have waived  
2 examination of the witness.

3 And with that, we're ready for questions  
4 from the Bench. Commissioner Clayton.

5 COMMISSIONER CLAYTON: I don't think I  
6 have any questions, Judge.

7 JUDGE STEARLEY: Thank you. Since there  
8 are no questions from the Bench, examination by GPE?

9 MR. ZOBRIST: No questions, Judge.

10 JUDGE STEARLEY: All right. Mr. Giles,  
11 I believe that concludes your testimony, and I'd like  
12 to thank you for your appearance today. I think at  
13 this time I believe you can be finally excused.

14 MR. ZOBRIST: Thank you, Judge.

15 MR. CONRAD: We have already admitted  
16 over my objection Mr. Giles' testimony, have we not?

17 JUDGE STEARLEY: I believe that is  
18 correct, Mr. Conrad.

19 MR. CONRAD: So I don't need to go  
20 through that drill again.

21 JUDGE STEARLEY: I'm double-checking  
22 here. I do believe his testimony, Exhibit 39, was  
23 admitted with the standard objections.

24 We've been going for almost two hours  
25 here. Why don't we go ahead and take about a

1     ten-minute break and we'll come back and we'll resume  
2     with Mr. Downey.

3                     (A RECESS WAS TAKEN.)

4                     JUDGE STEARLEY:   Okay.   We are back on  
5     the record, and I wanted to ask if the parties had an  
6     opportunity to visit over Staff's Exhibit 140, 141  
7     and 142.   And Mr. Dottheim, if -- did you intend to  
8     offer those at this time?

9                     MR. DOTTHEIM:   Yes.   Yes, I offer --  
10    offer 140, 141 and 142.

11                    JUDGE STEARLEY:   Okay.   And did any of  
12    those need to be listed as highly confidential?

13                    MR. ZOBRIST:   Judge, on Exhibit 140, the  
14    first page, which is an e-mail, is not highly  
15    confidential.   The other document is marked highly  
16    confidential.   I will visit with representatives of  
17    KCPL or GPE over the lunch break to determine what,  
18    if any, portions of that may be declassified.   But  
19    I'd like to have that remain highly confidential at  
20    this time.

21                    Exhibit 141 is not highly confidential  
22    and Exhibit 142 was confidential at the time but is  
23    no longer highly confidential.

24                    JUDGE STEARLEY:   All right.   Thank you,  
25    Mr. Zobrist.   Are there any objections to the

1 admissions of Exhibits 140, 141 and 142?

2 MR. CONRAD: None.

3 MR. ZOBRIST: No objection.

4 JUDGE STEARLEY: Hearing none, they  
5 shall be admitted into evidence. Exhibit 140  
6 starting on the second page, the document following  
7 the e-mail, shall remain highly confidential at this  
8 time.

9 (EXHIBIT NO. 140HC AND EXHIBIT NOS. 141  
10 AND 142 WERE RECEIVED INTO EVIDENCE AND MADE A PART  
11 OF THE RECORD.)

12 MR. CONRAD: Judge, this is just -- I  
13 don't know if this is -- frankly don't even know if  
14 it needs to be on the record. There have been a  
15 number of things, and I'll call them things, exhibits  
16 and various other parts of the transcript and so on  
17 that have been -- have been put in with an indication  
18 from Great Plains' counsel that they were going to  
19 evaluate whether they could be declassified or  
20 portions of them. I'm -- I'm just kind of curious,  
21 is there -- is there any kind of time frame or  
22 process --

23 JUDGE STEARLEY: Well, I --

24 MR. CONRAD: -- that your Honor has  
25 thought about to do that?

1                   JUDGE STEARLEY: Right. I had spoken  
2 with Mr. Mills on -- the transcripts are coming in  
3 three-day intervals. I didn't know if he wished to  
4 file a motion to declassify at the conclusion of the  
5 hearing with regard to all portions of testimony and  
6 exhibits that he wished to have declassified, if he  
7 wanted to meet with Great Plains' counsel and work  
8 out and just -- and submit a pleading stating what  
9 you agree to declassify. If there's those that  
10 you're in disagreement with, you can certainly file a  
11 motion to declassify.

12                   MR. MILLS: And Judge, that would be my  
13 intention, to go through -- once all the transcripts  
14 are in, to go through the confidential portion. And  
15 the way I would like to proceed is simply with a  
16 highlighter mark what I consider to be legitimately  
17 highly confidential, pass that on to KCPL and GPE and  
18 have them agree or disagree with that much and add or  
19 subtract as they wish and then try to work something  
20 out. If we can't, then approach the Commission.

21                   I assume it will be -- would be in  
22 writing at that point, because the hearing will be  
23 over, with some sort of a motion as to anything that  
24 they disagree with that I believe should be  
25 declassified.

1 JUDGE STEARLEY: All right. And I've  
2 not picked any particular time frame for that. I'm  
3 assuming the parties can have that completed within,  
4 say, ten days of the last transcripts coming in.

5 MR. MILLS: Yeah, I will certainly do my  
6 bit quickly after the transcripts are in.

7 JUDGE STEARLEY: All right.

8 MR. CONRAD: Judge, it's sufficient for  
9 me at this point to know that we're going to kind of  
10 hold that until everything is in as opposed to, as --  
11 as you accurately described, the transcripts are  
12 coming in on intervals, and I wouldn't want something  
13 to slip by without me knowing it. So if that's the  
14 understanding, that's -- that's quite fine and we'll  
15 be happy to participate as -- as appropriate in that  
16 process.

17 JUDGE STEARLEY: Okay. Yeah, and I  
18 think that will help it be consolidated as opposed to  
19 coming in in piecemeal fashion as well.

20 MR. CONRAD: It does seem to be more  
21 orderly that way. Thank you.

22 JUDGE STEARLEY: Thank you, Mr. Conrad.  
23 Are there any other matters we need to take up before  
24 calling Mr. Downey?

25 (NO RESPONSE.)

1 JUDGE STEARLEY: Then I believe Staff is  
2 calling this witness. You may call Mr. Downey to the  
3 stand.

4 MR. DOTTHEIM: Yes. The Staff calls  
5 Mr. William Downey to the stand.

6 MR. CONRAD: Judge, are we still on  
7 creditworthiness?

8 JUDGE STEARLEY: Yes.

9 MR. CONRAD: Thank you.

10 JUDGE STEARLEY: Yes, we are. And  
11 Mr. Downey, I don't believe you've provided testimony  
12 in this matter yet, so I am going to swear you in.

13 MR. DOTTHEIM: Judge, excuse me. I'm  
14 sorry to interrupt. Although Mr. Downey doesn't have  
15 any prepared testimony, I believe in the December  
16 hearings he was called by -- as a Staff witness at  
17 that -- at that time, as was Mr. Chessser also. This  
18 is not the first time that either Mr. Downey or -- or  
19 Mr. Chessser will be testifying.

20 MR. ZOBRIST: Judge, Mr. Downey actually  
21 did present direct testimony in the case. I believe  
22 it's been admitted as Exhibit 13. Mr. Dottheim is  
23 correct that he has appeared before and is a sworn  
24 witness.

25 JUDGE STEARLEY: And was previously

1 sworn?

2 MR. ZOBRIST: Correct.

3 JUDGE STEARLEY: Was he excused at that  
4 time?

5 MR. ZOBRIST: I'm not sure. I'm not  
6 sure if anyone was excused.

7 JUDGE STEARLEY: And I'm not sure  
8 either, so I'm going to swear him anyway --

9 MR. ZOBRIST: That's fine, Judge.

10 JUDGE STEARLEY: -- just to be sure  
11 here.

12 (The witness was sworn.)

13 JUDGE STEARLEY: Thank you, Mr. Downey.  
14 And you may proceed with your examination,  
15 Mr. Dottheim.

16 CROSS-EXAMINATION BY MR. DOTTHEIM:

17 Q. Good morning, Mr. Downey.

18 A. Good morning, Mr. Dottheim.

19 Q. Mr. Downey, I'm going to hand to you  
20 what's been marked as Staff Exhibit 136 and ask that  
21 you take a look at it. It's a copy of a Standard &  
22 Poor's Ratings Direct, April 2, 2008 Research Update  
23 respecting Great Plains Energy.

24 A. Yes.

25 Q. Mr. Downey, you've had an opportunity to

1 take a look at what's been marked as Exhibit 136?

2 A. I have.

3 Q. Have you previously seen that document?

4 A. I can't recall whether -- I've certainly  
5 seen at least summaries of it.

6 Q. I'd like to direct you to page 2, the  
7 section "Rationale", the second-to-last paragraph  
8 that states, "If Great Plains chooses to proceed with  
9 the Aquila acquisition without obtaining the  
10 appropriate regulatory safeguards, and assuming the  
11 company makes no other compensating modifications to  
12 its plan, lower ratings on Great Plains and Kansas  
13 City Power & Light Company could result." Did I read  
14 that accurately?

15 A. Yes.

16 Q. Mr. Downey, do you have occasion to deal  
17 with Standard & Poor's?

18 A. I periodically, along with other top  
19 management, visit with the rating agencies and talk  
20 about our business.

21 Q. Do you have any understanding as to what  
22 might be meant -- what might be meant by Standard &  
23 Poor's by the phrase "appropriate regulatory  
24 safeguards"?

25 A. I'm probably -- this is probably better



1 answered by our financial team, but my assumption  
2 would be that it is with regard to the rulings and  
3 the decisions that come out of here and our reaction  
4 to them.

5 Q. And I'd like to ask you the same  
6 question regarding that phrase, the next appears,  
7 "assuming the company makes no other compensating  
8 modifications to its plan." Do you have any  
9 understanding what Standard & Poor's might mean by  
10 that phrase?

11 A. Well, they're -- they're rendering this  
12 position given a set of items that are fixed in their  
13 mind, and so if there are any changes to that,  
14 they're providing caution that they could adjust  
15 that.

16 Q. Okay. And GPE/KCPL has in February in a  
17 filing changed some of the facets of its proposal on  
18 file with the Commission, has it not?

19 MR. ZOBRIST: Counsel, do you mean in  
20 this merger case?

21 MR. DOTTHEIM: Yes, I'm sorry. In  
22 this -- in this merger case.

23 THE WITNESS: Could you tell me which  
24 ones you're referring to?

25 BY MR. DOTTHEIM:

1           Q.       Well, such as the request for additional  
2 amortizations for -- for Aquila.

3           A.       Well, your -- your recollection is  
4 better than -- I'm sure we did do those, but I'm  
5 not -- I don't have them in my head.

6           Q.       Okay. Okay. Mr. Downey, you are the  
7 chair of the CEP oversight committee?

8           A.       I am.

9           Q.       And the CEP oversight committee had a  
10 meeting last Friday?

11          A.       It did.

12          Q.       And at that meeting, there was a  
13 presentation of the results, maybe preliminary  
14 results of the reforecasting process that has been  
15 occurring for a number of months?

16          A.       That's correct, preliminary  
17 presentation. We've not finalized the reforecast  
18 yet.

19          Q.       Could you identify who made the  
20 presentation, the individual or individuals?

21          A.       Terry Foster, who is our schedule and  
22 controls director and also who had the assignment to  
23 pull together the reforecast, led the presentation.  
24 Others spoke and were involved during the course of  
25 it. The entire leadership team for the project was

1 involved in the reforecast, and various members of  
2 that team spoke at various times.

3 Q. Could you identify who those other  
4 individuals were?

5 A. Steve Easley is -- who's our senior vice  
6 president for supply and also serving as interim  
7 project director until next week when we have our --  
8 our new construction vice president, was just named  
9 yesterday and will be arriving next week.

10 But Steve Easley was there, Brent Davis  
11 who oversees the unit 1 project work right now, Mike  
12 Ballard who heads construction, Steve Jones who is  
13 responsible for procurement and contract  
14 administration. We had some of our oversight  
15 personnel from Schiff Hardin.

16 Dan Meyer who is a budgeting and  
17 forecasting expert and who has been with us in an  
18 oversight role since the original control budget  
19 estimate was there and talked a bit. Those are some  
20 of the principal people.

21 Q. Okay. And you identified Schiff  
22 Hardin -- the name Schiff Hardin. Could you identify  
23 them?

24 A. They're a law firm with a construction  
25 practice. We retained them very early at the outset

1 of this effort to assist us in working through the  
2 entire construction management that -- the controls,  
3 the scheduling, the whole management process.

4 MR. DOTTHEIM: Okay. And for the court  
5 reporter, that's S-c-h-i-f-f, H-a-r-d-i-n.

6 THE COURT REPORTER: Thank you.

7 BY MR. DOTTHEIM:

8 Q. What are the plans now respecting the  
9 reforecasting process, the next steps after the  
10 presentation that was made to the CEP oversight  
11 committee on Friday of last week?

12 A. Well, over the -- since Friday and over  
13 the weekend and through this part of the week,  
14 additional work is being done. Dan Meyer in his  
15 oversight role is taking an independent look at  
16 the -- the -- the numbers that our own team put  
17 together. We'll comment on them and may indeed offer  
18 a -- a somewhat different point of view which we will  
19 then take into account as we move to providing a  
20 complete reforecast for our board.

21 We have our board meeting, annual  
22 meeting next week on Tuesday, and so we are targeting  
23 completion of the reforecast for some point this  
24 week. We also have to meet with our joint owners to  
25 discuss this. We -- we have yet to schedule a date.

1 It probably will be a special meeting in order to get  
2 everybody together and to accommodate all of the  
3 various deadlines that we're all working toward.

4 Q. When you indicated that Dan Meyer would  
5 be, if I understood correctly, taking an independent  
6 look, there's no anticipation that his review would  
7 prevent the -- the reforecast from being presented  
8 officially or publicly sometime next week?

9 A. That would be my expectation.

10 Q. And at that time there would also be a  
11 filing with the Securities and Exchange Commission?

12 A. That's correct.

13 Q. You mentioned the joint owners  
14 committee. Does the -- what role does the joint  
15 owners committee have in the -- in the process?

16 A. Well, they will want to be informed,  
17 obviously, of it. They have a great deal of direct  
18 interest in it. Our company has the responsibility  
19 for the execution of this project. They, as owners,  
20 have an interest in it, but we have the direct  
21 responsibility for the project.

22 Q. So their role at this stage is -- is not  
23 one that would prevent the reforecast numbers from  
24 being presented to the board and publicly released  
25 next week?

1           A.       No. We would coordinate with them  
2 because there's potentially public release impacts on  
3 at least two of the partners.

4           Q.       And when you mentioned the -- the board  
5 meeting and the annual meeting, are you referring  
6 also to what I guess I would refer to as the annual  
7 shareholder meeting?

8           A.       The annual shareholder meeting for Great  
9 Plains Energy and then the board meetings for both  
10 Great Plains and Kansas City Power & Light.

11          Q.       So the anticipation is that the -- the  
12 reforecast numbers and process would be an item on  
13 the agenda at the annual shareholders meeting?

14          A.       I don't believe it's an item on the  
15 agenda --

16          Q.       Okay.

17          A.       -- for the shareholders meeting.

18          Q.       Is the expectation that the -- the  
19 numbers that were provided to the oversight committee  
20 last -- last Friday are -- are likely to change in a  
21 minor manner if changed -- if changed at all from  
22 last Friday prior to the presentation to the board?

23          A.       They could change based on input and the  
24 point of view we get from Mr. Meyer.

25          Q.       Is -- is what is being looked at more in

1 the nature of fine-tuning than anything else?

2 A. It's a review of the work we've done.  
3 It's a challenging of the assumptions we've made.  
4 It's a sort of last-stage vetting to see if we've  
5 thought of everything, if we've done things that we  
6 should have done, to incorporate risks and the  
7 things -- this is a forward look, so it's -- it's  
8 fact and it's also predictive.

9 Q. How confident are you at this point in  
10 the numbers that -- and schedule, if I understand  
11 correctly, that were presented last Friday?

12 A. That's a question I asked both the team  
13 that did the reforecast and it's a question I will  
14 ask our oversight people. I believe that our team  
15 has a high degree of confidence in the numbers and  
16 the schedule with all the information that they can  
17 gather and the best of their ability to forecast.

18 Q. And when you say "team," who do you mean  
19 by team?

20 A. The leadership team, the project  
21 leadership which has responsibility for the execution  
22 of both Iatan 1 and 2.

23 Q. And that is in-house personnel at  
24 GPE/KCPL and consultants also?

25 A. Yes. It's a KCPL team. This is a

1 project within Kansas City Power & Light, and the  
2 team consists of both full-time employees of the  
3 company, project people who have been recruited  
4 externally. It's a mixture of all of those, but they  
5 function as the team for the project.

6 Q. The reforecasting process, when did that  
7 process first begin?

8 A. It began late fall, I would say, in 2007  
9 as a result of discussions that I had with Dave Price  
10 who was then vice president of construction and the  
11 Iatan project director. Both of us looking at the  
12 risk and opportunity tables that we had been  
13 developing and had been reporting to the Commission  
14 since early 2007, looking at the trends we were  
15 seeing in the industry, looking at the issues the  
16 contractors on the project were having with labor  
17 availability, recognizing that we had just committed  
18 to a direction on our balance plant work with Kiewit  
19 Construction.

20 All of those things together -- also,  
21 plus the state of the engineering for the project  
22 roughly 70 percent level at that point, a little bit  
23 higher for unit 1, a little bit less for unit 2, all  
24 of those things together caused Dave Price and I to  
25 believe it was prudent to conduct a reforecast. We



1 launched that reforecast in December of 2007.

2 Q. Now, you mentioned reporting to the  
3 Commission. Are you referring to the quarterly  
4 reporting that is occurring to the Missouri  
5 Commission Staff and other parties that were  
6 signatories to the Stipulation and Agreement that is  
7 the Kansas City Power & Light regulatory plan?

8 A. Yes, I am.

9 Q. You've mentioned risk and opportunity  
10 tables. Could you provide a brief explanation as to  
11 what you mean by risk and opportunity tables?

12 A. As we move from the design into the  
13 actual implementation of the project, various things  
14 occur. This is an enormous project with lots of  
15 moving parts to it; 2,000 people currently on-site  
16 doing things. And the table was a way of capturing  
17 changes and the interactions between and among  
18 contractors and ourselves with regard to decisions  
19 being made in the field.

20 And in a number of cases, those would  
21 impact cost in terms of increasing cost in some  
22 cases, impact them in terms of decreasing cost. This  
23 was a process by which we were capturing  
24 systematically those kind of changes month by month  
25 and keeping track of them and using them to identify

1 and sense trends with regard to cost and schedule.

2 Q. And it was those trends that you were  
3 tracking regarding cost and schedule that were  
4 causing concerns?

5 A. In part.

6 Q. And which caused you to go from the risk  
7 and opportunity tables to the reforecasting process?

8 A. That's correct.

9 Q. Was there for some period of time a  
10 projection that the reforecasting analysis would be  
11 performed on a shorter schedule than what has  
12 actually occurred, that the analysis would be  
13 performed by sometime in January?

14 A. I believe that there was an early target  
15 until we got into it that we had set that target. As  
16 we proceeded into it and began to think about all of  
17 the other things we had to do, that target date got  
18 extended.

19 MR. DOTTHEIM: If I may approach the  
20 witness? I'd like to provide him a copy of what's  
21 previously been marked as Exhibit 132.

22 JUDGE STEARLEY: You may approach.

23 BY MR. DOTTHEIM:

24 Q. (Mr. Dottheim handed witness a document.)

25 A. Yes.

1           Q.       Mr. Downey, you've had a chance to look  
2   at what's been marked as Exhibit 132?

3           A.       Yes.

4           Q.       Can you identify that document?

5           A.       There -- there is a -- a write-up that  
6   looks like it comes from the Office of Public  
7   Counsel, and attached to it are several pages that  
8   come from the project.

9           Q.       Do you recognize the -- do you recognize  
10  any of the pages?

11          A.       I do.

12          Q.       Which -- which pages do you recognize?

13          A.       All of the pages other than the first  
14  page, which was the OPC document.

15          Q.       Okay. And I would represent to you that  
16  the cover page is a document which contains the data  
17  request question from the Office of Public Counsel  
18  with the response of GPE/KCPL, but -- and you've  
19  identified the other pages that are attached --

20          A.       That's correct.

21          Q.       -- to the cover page? Could you more  
22  fully or -- provide some greater identification as to  
23  what are the pages after the cover page?

24          A.       These are pages that were developed  
25  under, I believe, Dave Price's direction. I think I

1 saw them somewhere in January of this year for the  
2 first time as part of a meeting I had with Dave  
3 Price. We've discussed these with the Staff and  
4 other parties to the proceeding and meetings here.

5 I had asked Dave to sit with me and give  
6 me a feeling for where things were going in the  
7 reforecast process. We had a breakfast meeting and  
8 he had assembled these pages himself to give me a  
9 feeling for what he thought was happening and where  
10 it was heading, where the reforecast process was  
11 heading.

12 Q. When -- when he met with you -- and you  
13 may have -- you may have said this, that occurred in  
14 January of this year?

15 A. That's correct.

16 Q. And when he met with you, was there  
17 supposed to follow from his meeting with you or was  
18 there scheduled to occur shortly thereafter a meeting  
19 of the CEP oversight committee at which these numbers  
20 were to be presented?

21 A. Yes. Our meeting was a breakfast  
22 meeting on a Saturday morning. The oversight  
23 committee meeting was scheduled for that following  
24 Tuesday morning. And I had asked Dave to get  
25 together so I could have an update on where all that

1 was heading.

2 Q. And was there a decision made about the  
3 presentation of this material at the next Tuesday  
4 meeting?

5 A. The discussion -- well, there were two  
6 avenues of discussion. One was around these numbers  
7 and what they meant and what were they, and then  
8 secondly, around what would be the content of the  
9 oversight meeting that was coming up.

10 We both had a long conversation about  
11 what these were and weren't, and what we had -- what  
12 else we needed to do. We mutually agreed that there  
13 was a lot that needed to be done, that this -- this  
14 was nice input, but that's all it was; it wasn't a  
15 fully vetted reforecast.

16 And we needed to get all that done and  
17 we needed to do it appropriately to -- before we were  
18 anywhere near ready to disclose publicly and to -- to  
19 do all the things that we needed to do to talk with  
20 our board and all of those things.

21 So what we did then in the oversight  
22 meeting that following Tuesday was to walk through  
23 the nature of the work that needed to be done, the  
24 processes and the steps that needed to be taken and  
25 explain that it would take longer than we thought.

1           Q.       Was there also a voters committee  
2 meeting that was scheduled around that same time of  
3 the CEP oversight committee meeting?

4           A.       It was scheduled for that Tuesday  
5 afternoon.

6           Q.       Was that meeting canceled?

7           A.       I believe it was.

8           Q.       Okay. Were these numbers of these  
9 materials to be presented at that meeting originally  
10 also?

11          A.       No, not that I'm aware of. I think Dave  
12 prepared them for my conversation with him on  
13 Saturday morning.

14          Q.       You've -- it seems to be the word that  
15 is en vogue these days, the word "vetted." Could you  
16 explain what you mean by the word vetted?

17          A.       Well, for example, the work that had  
18 been done in December and early January was the  
19 compilation of a lot of interviews with various  
20 people on the project, various assumptions being made  
21 about the cost of this or the cost of that, trying to  
22 put into categories things that might be changing,  
23 might be -- costs might be increasing.

24                   A part of the vetting that we talked  
25 about was with regard to those saying, well, all

1 right, if you assume that a cost number for a  
2 particular item were going up, what is that based on  
3 and do we have documentation? Can we trace back --  
4 if we forecast a cost increase, can we trace that  
5 back to some fundamental basis that is reasonable and  
6 rational and that you have a record of it? So  
7 building a file of the background of the estimate is  
8 in part what I call vetting.

9                   We also are making assumptions around  
10 schedule. And going through more rigorous processes  
11 with our contractors around the ability to meet the  
12 schedules that were being assumed is another part of  
13 vetting.

14                   We -- we knew we were seeing labor  
15 productivity and availability issues, but -- and we'd  
16 had a -- an original labor report that had been done  
17 at the beginning of the project about -- and we early  
18 on identified labor risks as one of the big  
19 challenges in this period of time wherein -- an  
20 extraordinary period of time and construction in this  
21 industry and the demand for the skilled labor was  
22 there.

23                   So we knew we wanted to go back and  
24 review that labor report in light of current issues.  
25 We had done it back in -- I forget the 2005 time

1 frame. We wanted to update and review it.

2                   So all of those things of the various  
3 components of vetting that have gone on. Numerous  
4 conversations with our principal contractors, back  
5 and forth with them, challenging assumptions that  
6 they might have, rethinking how we might proceed on  
7 things. All of those things have been going on since  
8 that January time frame in great detail and with a  
9 lot of people involved.

10           Q.       And that has been occurring in respect  
11 to both the Iatan 2 and Iatan 1 projects?

12           A.       That is correct.

13           Q.       As a result of the -- the reforecast,  
14 what actually will be generated, will there be a  
15 report? What will actually be the product? We were  
16 provided some numbers yesterday by Mr. Bassham. Will  
17 there just be numbers and work papers, or will there  
18 be an actual document, X number of pages of narrative  
19 explaining the vetting process?

20           A.       That's a very good question, and, you  
21 know, it's still a work in -- in process. What's  
22 important, obviously, is to come up with as sound a  
23 set of reforecasts as we can for both the unit 1 and  
24 the unit 2 projects.

25                   It's important to understand that --



1     that these reforecasts are meant to link and track  
2     back to the original control budget estimates so that  
3     we can explain in detail how we got from the original  
4     control budget estimate to where we are today and the  
5     reasons for that. That is a very significant, huge  
6     process. We'll wind up with a reforecast, but  
7     there'll be linkages and documentation back to the  
8     original control budget estimate to explain the  
9     causes for increases in costs or decreases in costs  
10    as we walk through this project.

11                 And I -- I don't have in my mind, you  
12    know, the exact document that will come out of that,  
13    but the Commission Staff and all those who will be  
14    reviewing the prudence of this project will have a  
15    very transparent set of files and background and  
16    explanation and linkage to the original control  
17    budget estimate as a result of this reforecast.

18                 Q.     Will the reforecast results become a new  
19    control budget estimate?

20                 A.     They will become a new estimate from the  
21    original control budget.

22                 Q.     Is there only one control budget or  
23    control budget estimate?

24                 A.     Yes.

25                 Q.     Mr. Downey, you've heard the terminology

1 "definitive estimate"?

2 A. Yes.

3 Q. Okay. I'm under the understanding that  
4 that term, "definitive estimate," has meanings in a  
5 number of disciplines. Could you indicate what that  
6 term means to you in one or more of the disciplines  
7 that you understand that it's used in?

8 A. Well, I think Mr. Giles said it well in  
9 his testimony that preceded me. I think of the  
10 definitive estimate and the control budget estimate  
11 as -- in similar fashion, and I -- he mentioned the  
12 difference between a -- the regulatory term versus  
13 the construction term.

14 That definitive estimate back in  
15 December of 2006 became the control budget estimate.  
16 As I look back at the record and the reporting and  
17 the documentation, it was very clear when we created  
18 that control budget estimate that it was based on  
19 about 25 percent engineering complete at the time of  
20 the project. I think that was understood very  
21 clearly by all parties that that's what it was.

22 Decisions were made. We had signed our  
23 first big contract with the supplier of the boiler  
24 and the air quality control equipment, we were moving  
25 rapidly to signing a second contract for the turbine

1 generator, which, by the way, is floating on the  
2 Mississippi -- on the Missouri River right by the  
3 City of Kansas City right now coming from Japan.

4               But we had -- and we did that because --  
5 and I believe remains a sound decision today -- we  
6 did that to move forward rapidly on large purchases  
7 to contain costs because the whole construction  
8 industry for power generation was beginning to show  
9 signs of rapid escalation and cost and challenges,  
10 and so we moved quickly at that time. All the  
11 parties understood that. We had that level of  
12 engineering. So the design was moving along in  
13 parallel with procurement and construction.

14              And so that -- that was the control  
15 budget estimate. I even recall the Staff working  
16 with us saying hold off as long as you can. We were  
17 thinking actually early or middle of 2005 of doing  
18 that. We held off with the Staff's support and  
19 encouragement to December of 2006 when we did create  
20 that control budget estimate.

21           Q.     If I understand you correctly, in  
22 response to a prior question from me, I thought you  
23 indicated that the reforecast numbers do not become a  
24 new control budget or a new control budget estimate.

25                     If I understood correctly, are you

1     indicating that the reforecast numbers do not become  
2     a new definitive estimate? And I use the term  
3     "definitive estimate" as used in the regulatory sense  
4     for ratemaking purposes.

5                   MR. ZOBRIST: Well, Judge, I'm just  
6     going to object if we're getting into ratemaking  
7     issues and things like that. That's really not the  
8     purpose of this examination right here.

9                   MR. DOTTHEIM: Well --

10                  JUDGE STEARLEY: Would you like to  
11     rephrase, Mr. Dottheim?

12                  MR. DOTTHEIM: Yes, yes.

13     BY MR. DOTTHEIM:

14                  Q.     I think you've -- I think you've  
15     indicated your understanding of the term "definitive  
16     estimate." Based on your understanding of the term  
17     "definitive estimate", do the reforecast numbers  
18     become a new definitive estimate?

19                  MR. ZOBRIST: I'm just going to object  
20     because I don't know what the answer to that question  
21     means, whatever it is, and I think it may call for a  
22     legal conclusion and the witness is not a lawyer, but  
23     that's for the record.

24                  MR. DOTTHEIM: I think Mr. Downey can  
25     answer the question to the best of his knowledge.

1 JUDGE STEARLEY: I will overrule.

2 Mr. Downey, you can answer that question to the  
3 extent that you have knowledge, and --

4 THE WITNESS: Well, I --

5 JUDGE STEARLEY: -- if you're not  
6 maintaining you're a legal expert, and so --

7 THE WITNESS: I'm not a legal expert  
8 and I'm not sure that I understand the implications  
9 of his question. I think of that -- the control  
10 budget estimate was the estimate we created at the  
11 time and against which we'll measure the project as  
12 we go forward, changes made, both increases and  
13 decreases.

14 But the reforecast is the best available  
15 information that we will have at the time we release  
16 it, both with changes that have occurred since the  
17 original control budget estimate was created.

18 BY MR. DOTTHEIM:

19 Q. Mr. Downey, are there plans at GPE/KCPL  
20 to perform in the future an additional reforecast?

21 A. Yes. With regard to unit 2, we would  
22 expect to reforecast unit 2 when we are about  
23 90 percent engineered.

24 Q. Do you have a projection as to a date,  
25 an approximate date as to when that might be?

1           A.       I would think toward the end of this  
2   year.

3           Q.       Do you have an estimate as to how long  
4   that reforecast process will take?

5           A.       I do not.

6           Q.       Do you have any expectation whether the  
7   reforecast numbers for Iatan 2 will be the same,  
8   higher or lower than the reforecast numbers that will  
9   be accepted for the process that is concluding now?

10          A.       They will be what they are when we do  
11   the reforecast based on what's occurring, just as the  
12   numbers we're about to produce are what they are as  
13   we look at all of the factors that are involved.

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

16                   JUDGE STEARLEY:  Certainly,  
17   Mr. Dottheim.

18   BY MR. DOTTHEIM:

19          Q.       Mr. Downey, you indicated that there  
20   will be a new project director I think next week?

21          A.       That's correct, vice president of  
22   construction and project director.

23          Q.       Do you recall, will that person be the  
24   second, third, fourth project director for -- for the  
25   Iatan plant site?

1           A.       Fourth.

2           Q.       Respecting the reforecast numbers in the  
3 control budget estimate, there were provision for  
4 contingency funds, were there not?

5           A.       Yes.

6           Q.       Are there provision for contingency  
7 funds in the reforecast?

8           A.       Yes. As yet finalized, but yes, there  
9 are.

10          Q.       Mr. Downey, can you give an indication  
11 of approximately as to presently how much of your  
12 time is spent on the comprehensive energy plan, in  
13 particular, Iatan 2 and Iatan 1 projects?

14          A.       Since Dave Price's departure of -- I  
15 made a decision along with our other senior  
16 management to spend additional time there along with  
17 Steve Easley, our senior vice president of  
18 construction, to maintain continuity of management  
19 across the process.

20                   Steve and I have been involved from the  
21 very beginning with this. Given the importance of it  
22 to the company, to Kansas City Power & Light, we felt  
23 the need to be up there. I'm up there several times  
24 a week. Steve is up there full-time. That obviously  
25 will change as we bring on our new vice president of

1 construction.

2 But -- so in recent months, I've spent  
3 at least a day and more likely two days a week up at  
4 the site, at least for significant parts of the day.

5 Q. And -- and prior to Mr. Price leaving  
6 the project, could you give an idea as to what you  
7 were averaging on the Iatan 1 and 2 projects?

8 A. My time was probably spent more in  
9 discussions and meetings by phone and getting briefed  
10 and, you know, regular weekly sessions, but -- but  
11 not as much up on the site.

12 Q. Can you provide an idea as to how much  
13 of your time is spent on the proposed GPE acquisition  
14 of Aquila?

15 A. Again, I spent time in -- in meetings  
16 over the course of the last year, a significant  
17 amount of time. I don't -- I don't have a percentage  
18 number, but certainly regular weekly meetings and  
19 involvement.

20 MR. DOTTHEIM: If I could have a moment,  
21 please.

22 JUDGE STEARLEY: Certainly,  
23 Mr. Dottheim.

24 BY MR. DOTTHEIM:

25 Q. Mr. Downey, were you at the GPE analysts



1 presentation on March 25 in New York City?

2 A. No.

3 Q. Were you at -- you were at the analysts  
4 presentation on April 10 in Chicago, were you not?

5 A. Yes.

6 MR. DOTTHEIM: Thank you, Mr. Downey. I  
7 have no further questions at this time.

8 JUDGE STEARLEY: Thank you,  
9 Mr. Dottheim. Examination by Public Counsel.

10 MR. MILLS: Thank you. Just a few.

11 CROSS-EXAMINATION BY MR. MILLS:

12 Q. Good morning, Mr. Downey.

13 A. Good morning, Mr. Mills.

14 Q. And Mr. Downey, before I ask the very  
15 first question, I'll -- I'll caution you that the  
16 answer may be highly confidential, but I'll ask the  
17 question.

18 Are the numbers that Mr. Bassham gave us  
19 yesterday that are the -- well, first of all, would  
20 it be fair to call those preliminary results from the  
21 reforecast?

22 A. Yes.

23 Q. Okay. Are those -- do those preliminary  
24 results show an increase -- or -- and this is the  
25 part that may be highly confidential, so you may not

1 be able to even answer this general question. Are  
2 those numbers higher or lower than the definitive  
3 estimate?

4 MR. ZOBRIST: Judge, I think we ought to  
5 go into HC session if we're going to talk about  
6 ranges of numbers.

7 MR. MILLS: I'm simply talking about  
8 direction, and I won't go into any more detail than  
9 that.

10 MR. ZOBRIST: I think that's highly  
11 confidential.

12 JUDGE STEARLEY: All right. Very well.  
13 We'll go in-camera.

14 (REPORTER'S NOTE: At this point, an  
15 in-camera session was held, which is contained in  
16 Volume 20, pages 2492 through 2494 of the  
17 transcript.)

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

3 CROSS-EXAMINATION (CONTINUED) BY MR. MILLS:

4 Q. Now, Mr. Downey, did you hear the -- the  
5 cross-examination of Mr. Bassham yesterday?

6 A. I did not.

7 Q. Okay. From your perspective, do you  
8 believe that there are risks of a downgrade if this  
9 transaction is consummated and approved by this  
10 Commission?

11 A. As I listen to my -- we're a very strong  
12 company. As I listen to my financial people and the  
13 processes we've gone through with credit rating  
14 agencies and the work and the analytics that's been  
15 done, and assuming we get an order that is -- is  
16 reasonable and within the framework that we've been  
17 talking about, I would expect that we would -- we  
18 would remain financially strong and that our credit  
19 ratings would be appropriate.

20 Q. Okay. Well, let me -- let me break that  
21 down. Your credit ratings would be appropriate. Do  
22 you believe your credit ratings would stay exactly  
23 the same as they are now?

24 A. Well, I'm not -- I'm not the expert on  
25 that, and you've got Mr. Cline coming right after me

1 and he is the expert who deals --

2 Q. All right.

3 A. -- with those agencies, so I would --  
4 but I would expect that we would remain relatively  
5 within the same position that we are right now. In  
6 fact, we might see improvement in the outlook as  
7 opposed to the rating. I would expect to see an  
8 improvement in the outlook.

9 Q. Okay. So when you say "relatively the  
10 same," you mean you don't expect any change in the  
11 rating and you've -- and you might expect an  
12 improvement in the outlook?

13 A. Yes.

14 Q. Okay. I'm sorry. Were you going to say  
15 something else?

16 A. No.

17 Q. Okay. So is it your testimony that  
18 there is zero risk that the rating may go down as a  
19 result of approval of this transaction?

20 A. That's not my testimony.

21 Q. Okay. So you concede that there is some  
22 risk?

23 A. Yes.

24 Q. Okay. As CEO of KCPL, are you willing  
25 to state to this Commission that you're willing to

1 take on that risk as opposed to having it possibly be  
2 borne by -- by ratepayers in future rate cases?

3 A. I'm not sure I understand what you're  
4 asking.

5 Q. Well, let me -- let me back up a step.  
6 Do you believe that if there is a -- a downgrade to  
7 the company's cost of debt such that you're no longer  
8 investment-grade, that there will be increased cost  
9 of borrowing in the future?

10 A. Well, that's a hypothetical.

11 Q. Yes, it is.

12 A. And your question is?

13 Q. My question is, if -- if -- if KCPL is  
14 no longer investment-grade, will your cost of  
15 borrowing increase?

16 A. Yes.

17 Q. Okay. And if a downgrade to below  
18 investment-grade occurs as a result of this  
19 Commission's approval of the transaction, are you  
20 willing to say that shareholders will absorb that  
21 increased cost?

22 A. Well, I believe we've put a plan on the  
23 table for the Commission to approve. There are risks  
24 that we face, there -- there are general risks on  
25 execution, obviously, in any kind of plan. We'd have

1 to deal with those circumstances as they arose.

2 Q. But my question is, are you willing to  
3 say today that you are willing to take on that risk  
4 that the shareholders will bear the risk of increased  
5 costs?

6 A. I think we've made the commitment --  
7 we've -- we've laid out a plan and made a set of  
8 proposals, and we'll stand by that set of proposals.

9 Q. Okay. I'm sorry. Can you define for me  
10 what that set of proposals is?

11 A. Well, I think if you're going to get  
12 into implications of changes and ratings, I think  
13 Mr. Bassham has testified, I think Mr. Cline is about  
14 to testify. And, you know, I think that as -- as we  
15 perceive this as we've gone through the effort, we  
16 think that there's a strong -- very strong  
17 probability that our ratings will remain what they  
18 are and -- and we will continue to execute on that  
19 plan.

20 Q. And what is -- what is Mr. Cline's  
21 position with KCPL?

22 A. He's treasurer, chief risk officer.

23 Q. Okay. So he reports to you?

24 A. He -- he is in the -- yes, in a  
25 functional sense for the utility, yes.

1           Q.       Okay. Does -- does he have the same  
2 authority on behalf of KCPL that you do?

3           A.       No.

4           Q.       Okay. Let me ask you again. As CEO,  
5 are you willing to tell this Commission that you're  
6 willing to take on the risk of increased costs if  
7 the -- if the company is downgraded as a result of  
8 approval of this merger?

9           A.       You know, again, I believe that we  
10 will -- that from all that we -- I understand from  
11 our financial team, that that is not what we expect  
12 to have happen.

13          Q.       But that doesn't answer my question. If  
14 it does happen, despite your expectations, are you  
15 willing to commit to taking that risk, to bearing the  
16 cost of that risk?

17          A.       That would not be -- if -- if we  
18 perceive that that were going to occur, we would have  
19 to rethink whether we wanted to proceed with this  
20 acquisition. You know, we're going to have to look  
21 at all of the factors involved. That's one of them.

22                   We want to keep Kansas City Power &  
23 Light strong, and whatever comes out of this  
24 decision-making process we're involved in right now,  
25 we're going to want to feel strongly that a downgrade

1 is not possible. If we felt that that were the case,  
2 it might impact our ultimate decision on -- on  
3 proceeding with a transaction such as this.

4               So we're -- we're proceeding with this  
5 transaction -- we will proceed based on the very  
6 strong sense that we will maintain our  
7 investment-grade status. If we felt at all that that  
8 were not going to be the case, it certainly would  
9 have implications on our ability to -- or willingness  
10 to go forward with such a transaction.

11           Q.       And I understand that. But you've  
12 conceded that there is at least some risk. And my  
13 question to you once again is, are you willing to  
14 take that risk?

15           A.       It's not a risk that our company would  
16 desire to take.

17           Q.       So that's a no, you're not willing to?

18           A.       It's not a risk our company would desire  
19 to take.

20           Q.       All right. Define for me how you use  
21 "desire" in that sentence.

22                   MR. ZOBRIST: Judge, I think the witness  
23 has answered the question.

24                   MR. MILLS: I don't think it's --

25                   JUDGE STEARLEY: I'm not sure --



1                   MR. MILLS: I'm asking a yes or no  
2 question. I'm not really getting a yes or no.

3                   JUDGE STEARLEY: I'm not sure Mr. Mills'  
4 question has been answered definitively. You may  
5 continue, Mr. Mills.

6 BY MR. MILLS:

7           Q.       Okay. Can you explain to me how you  
8 mean "desire" in that sentence?

9           A.       We would not want to assume the risk of  
10 a downgrade if -- if -- we're going to look very  
11 carefully at the outcome of this proceeding and its  
12 impact or potential impact on our credit rating. And  
13 our first desire is to keep our current company  
14 strong and creditworthy.

15                   It is our very strong intent to have  
16 this be a creditworthy organization, a combined  
17 organization, and it would impact our decision on  
18 going forward if we felt that we couldn't maintain  
19 that credit rating.

20           Q.       Okay. And I guess the trouble I'm  
21 having here is I asked you the question of whether  
22 you were willing to, and you're answering the  
23 question in terms of desire to and want to.

24                   So let me ask you one more time. Are --  
25 is the company willing to bear the -- bear the risk

1 of the cost if a downgrade does occur?

2 A. We would not want to enter into the  
3 transaction if we felt that that was a probable  
4 outcome.

5 Q. And that -- that was not my question.  
6 I'm not talking about whether it's probable or not.  
7 You conceded that it's -- you've said that it's not  
8 probable but you've conceded it's possible, and my  
9 question is, are you willing to bear the risk if it  
10 does happen?

11 MR. ZOBRIST: Judge, I think he's  
12 already answered that. It's becoming argumentative.

13 MR. MILLS: And Judge, I don't think --  
14 I don't think I have gotten an answer yet. If I --  
15 if I get an answer, I'll stop, but I'd like a yes or  
16 no answer.

17 MR. ZOBRIST: Well -- and if I may just  
18 say one more thing, Judge, it's -- it's hypothetical  
19 at this point, so I can understand why the witness  
20 doesn't want to commit. I mean, I think he's given  
21 all the parameters to Mr. Mills that he can possibly  
22 give.

23 MR. MILLS: And if -- and if the  
24 willingness -- if the witness is willing to say he  
25 will not commit, that is an answer, but I haven't

1     gotten a will not commit or won't commit at this  
2     point.

3                   MR. ZOBRIST:   And I will say that  
4     Mr. Bassham already answered that question yesterday,  
5     so ...

6                   JUDGE STEARLEY:   I'm going to overrule.  
7     I believe you can answer the question either yes or  
8     no.   I believe you've done a lot of qualifying  
9     answers already.   If you would, please.

10                  THE WITNESS:   Well, I would look to  
11     Mr. Bassham for that answer to begin with.   If he's  
12     already given it, I would -- and as I say, I wasn't  
13     here yesterday.   I wasn't -- I'm not familiar with  
14     what his testimony was.   But I would look to our  
15     chief financial officer.

16                  JUDGE STEARLEY:   Mr. Downey, I'm going  
17     to instruct you to answer the question.

18                  THE WITNESS:   I would not want to accept  
19     that risk.

20     BY MR. MILLS:

21                  Q.       And again, you're saying "want" and  
22     "desire," and I'm asking will you?

23                  MR. ZOBRIST:   Judge, I mean, we're  
24     parsing words now, and if the CEO says he can't go  
25     beyond what he can right now until knowing what the

1 chief financial officer is going to recommend to him,  
2 I think we're just parsing words.

3 MR. MILLS: It's a yes/no/I don't know  
4 answer, Judge. I don't -- I don't know how -- how  
5 much this witness can step around it, but it's a  
6 yes/no question and it's either -- it's either a yes  
7 or a no or he doesn't know the answer.

8 JUDGE STEARLEY: I believe it can be  
9 answered yes, no, I don't know. Some of these yes or  
10 no questions can be a sometimes or maybe, but I think  
11 we're on the three possibilities here. And  
12 Mr. Downey, I would again instruct you to please  
13 answer the question.

14 THE WITNESS: I would not accept the  
15 risk.

16 MR. MILLS: Okay. Thank you. That's  
17 all I have.

18 JUDGE STEARLEY: Thank you, Mr. Mills.

19 Examination by AgProcessing.

20 CROSS-EXAMINATION BY MR. CONRAD:

21 Q. Well, it's still morning, Mr. Downey.  
22 Good morning.

23 A. Good morning.

24 Q. And I'll try to get you off here very  
25 quickly because I don't have a lot after that last

1 exchange.

2 I did want to bring you back, though, to  
3 Exhibit 136. That's that Ratings Direct thing from  
4 Standard & Poor's. Do you have that?

5 A. I do.

6 Q. I think Mr. Dottheim had queried you  
7 about the next-to-the-last paragraph and had a  
8 discussion about appropriate regulatory safeguards.  
9 Do you recall that?

10 A. Yes.

11 Q. Look with me, if you would, sir, up to  
12 the paragraph that precedes that. And just take a  
13 moment, if you would, if you need it, to look through  
14 that paragraph that begins "Following the merger..."  
15 Let me know when you've kind of refamiliarized  
16 yourself with that.

17 A. Yes.

18 Q. Okay. In that very first sentence, the  
19 phrase, Will have access to adequately -- or excuse  
20 me -- "Will have access to adequate and timely  
21 recovery of all costs." Do you see that phrase?

22 A. Yes.

23 Q. When you read that, what pops to your  
24 mind?

25 A. That S&P and -- is looking and will

1     assess us based on regulatory balance. We are  
2     undertaking very significant programs, capital  
3     expansion that have high degrees of risk and  
4     volatility around them.

5                     They are going to look very carefully at  
6     the regulatory environment within which we attempt to  
7     do all this and to sense whether there's support  
8     or -- or not for a structure that allows us to  
9     prudently recover our costs and to deal with the risk  
10    that we're undertaking.

11                    When we originally started this  
12    comprehensive energy plan, that was a fundamental  
13    tenet of the whole process, was to attempt to get  
14    that. The regulatory plan took us part of the way  
15    there, and whether it's the credit rating agencies or  
16    the investment community, they are watching  
17    continuously as we go through this construction  
18    program to test and sense the interaction of what we  
19    do and what the regulatory community does as we  
20    execute on this program. So they're -- they're  
21    testing and sensing that as they go along.

22                    Q.     Now, you work with these -- well, you  
23    probably don't work with them every day, but you go  
24    back and forth with these ratings folks fairly  
25    frequently, don't you?

1           A.       I would -- I would say that my visits  
2   are less frequent. Mr. Cline spends a great deal of  
3   time with them. I might be in once or twice a year  
4   along with the general management team.

5           Q.       Okay. Look -- looking again at that  
6   phrase, do you suppose that they omitted  
7   intentionally or unintentionally the word all  
8   "prudent" costs there? I didn't see the word  
9   prudent. They just said "all costs."

10           MR. ZOBRIST: Judge, I -- I object that  
11   this is not relevant to the inquiry that we're  
12   looking at. I mean, it's now focusing on the  
13   language that S&P has in an update, and it's getting  
14   us far afield from creditworthiness.

15           MR. CONRAD: Well, this is -- this is  
16   from the people that make the decisions about  
17   creditworthiness, and I'm trying to explore what the  
18   witness understands as CEO about what they're telling  
19   him.

20           MR. ZOBRIST: And I appreciate  
21   Mr. Conrad's point. However, what he's inquiring  
22   into is going to the prudence and recovery of costs  
23   in a rate case. That --

24           MR. CONRAD: No, it's not going to  
25   prudence at all. It's asking what this gentleman

1 read into and if he thinks if in -- in his opinion he  
2 thinks that they omitted that word intentionally or  
3 unintentionally. That's all I asked. I didn't ask  
4 him about whether a particular dollar that was spent  
5 for a Port-A-Potty out at Iatan was prudently  
6 incurred.

7 MR. ZOBRIST: And I understand that, and  
8 the word that Mr. Conrad is asking about is prudence.  
9 This is not a prudence proceeding.

10 JUDGE STEARLEY: All right. I will  
11 overrule. You may answer the question.

12 THE WITNESS: I don't know that I  
13 understand what they were thinking when they --  
14 BY MR. CONRAD:

15 Q. Okay. If you -- and I should have  
16 started out, Mr. Downey, by saying that an acceptable  
17 answer almost to all questions unless the judge says  
18 otherwise is, I don't know.

19 A. Right.

20 Q. Sometimes being ignorant of things is a  
21 good -- is a good approach. And then that statement  
22 goes on to say, "and regulators will work with the  
23 utilities." This might be a yes, no or you don't  
24 know. Do you have any sense what the -- the credit  
25 raters are talking about there?



1                   MR. ZOBRIST: Same objection and calls  
2 for speculation.

3                   MR. CONRAD: I asked if he had any sense  
4 of it; yes, no or I don't know.

5                   JUDGE STEARLEY: I believe he can answer  
6 on a yes/no basis. If he goes to answer further, we  
7 might be getting into speculation.

8                   THE WITNESS: I wouldn't want to  
9 speculate, so I don't know.

10 BY MR. CONRAD:

11           Q.       Let's set that one aside, Mr. Downey,  
12 for -- for a moment. I don't know if we'll get back  
13 to it. Do you have before you Exhibit 133?

14           A.       I do not.

15           Q.       This is the charter for the  
16 comprehensive energy plan oversight committee. Got  
17 it?

18           A.       I do.

19           Q.       And that's the thing that you chair,  
20 right?

21           A.       Yes.

22           Q.       Is there just one of those?

23           A.       No. We also have an oversight committee  
24 for the Aquila merger process.

25           Q.       Oh, okay. And you term that as a

1 comprehensive energy plan oversight committee too, or  
2 how is that --

3 A. No. No, it's the -- the merger  
4 oversight group.

5 Q. Oh, okay. But insofar as the  
6 comprehensive energy plan -- and we talked back and  
7 forth about that -- that's the regulatory plan also,  
8 right?

9 A. Yes.

10 Q. There's just one of those?

11 A. Yes.

12 Q. And that covers the whole regulatory  
13 plan, does it not?

14 A. The regulatory plan regarding our  
15 construction programs, yes.

16 Q. Right. And that includes not only Iatan  
17 projects, but also some other things down south of  
18 town, right?

19 A. Yes.

20 Q. So there's not a separate group that  
21 meets on that?

22 A. No.

23 Q. Tell me real quickly, sir, if you can,  
24 why do you have this?

25 A. This is -- this whole construction

1 effort is very large and very important to the  
2 company, and while we have specific people assigned  
3 to it -- for example, there are almost 2,000 people  
4 working on the Iatan construction effort right now.  
5 It's an entirely separate organization focused  
6 totally on executing this construction program.

7               So they're working on all their things,  
8 but we have a need for executive management oversight  
9 of what's going on there. There are many things  
10 going on in the company, and this is a management  
11 process by which we keep the high-level executives  
12 regardless of their specific functional focus engaged  
13 in the process, the progress, the issues of -- of --  
14 of an effort of this magnitude.

15               So we created it as a -- as a management  
16 technique to keep the broader general management of  
17 the organization attuned to what's occurring on this  
18 very specific, very focused set of efforts.

19           Q.       Could that be summarized succinctly as  
20 saying this group is to try to keep KCPL and Great  
21 Plains in compliance?

22           A.       Well, I think -- compliance with what?

23           Q.       The regulatory plan.

24           A.       Well, the specific executives who have  
25 responsibility for the projects have the direct

1 compliance responsibility. We certainly monitor --  
2 this committee certainly monitors that and that would  
3 be an important element. It would obviously be a  
4 risk if we weren't in compliance. So that would be  
5 one of a number of elements of this effort that would  
6 be monitored.

7 Q. I think you even anticipated my next  
8 question. You mentioned there would be a risk if you  
9 fell out of or failed to comply. Characterize for me  
10 the nature of that risk.

11 A. Well, regulatory approval is -- is  
12 obviously a key phase of all of this effort, and  
13 meeting the objectives of the regulatory plan and --  
14 and understanding the -- the quality of the  
15 relationship that we have going forward as we  
16 progress through the plan with our -- our regulatory  
17 partners is a -- is a critical element.

18 Q. So compliance -- if I'm understanding  
19 what you're saying, sir, compliance with the  
20 regulatory plan would also have some potential effect  
21 on how the ratings agencies react in the future; is  
22 that correct?

23 A. Yes.

24 Q. And if you were perceived to not be in  
25 compliance in some aspect of the regulatory plan,

1 would that have a salutary or a detrimental effect on  
2 how the rating agencies perceived your overall  
3 creditworthiness as a company?

4 A. It could have a detrimental effect.

5 MR. CONRAD: Thank you. That's all I  
6 have.

7 JUDGE STEARLEY: Thank you, Mr. Conrad.  
8 Examination by Black Hills.

9 MR. DeFORD: No questions, thank you.

10 JUDGE STEARLEY: Aquila?

11 MS. PARSONS: No questions.

12 JUDGE STEARLEY: Questions from the  
13 Bench. Commissioner Murray.

14 COMMISSIONER MURRAY: No questions.

15 JUDGE STEARLEY: Commissioner Jarrett.

16 COMMISSIONER JARRETT: No questions.

17 JUDGE STEARLEY: All right. No  
18 additional examination based on questions from the  
19 Bench. Any examination from GPE/KCPL?

20 MR. ZOBRIST: Just have a couple of  
21 questions.

22 REDIRECT EXAMINATION BY MR. ZOBRIST:

23 Q. Mr. Downey, when you were asked by  
24 Mr. Dottheim about the meeting last Friday, the  
25 presentation of the reforecast to the oversight

1 committee, do you recall those questions?

2 A. Yes.

3 Q. Okay. Last Friday would be, for the  
4 record, April 25th, 2008?

5 A. Yes.

6 Q. Now, if you would look, please, at  
7 Exhibit 136, the S&P update which is dated April 2nd,  
8 2008. Turn to page 2, please. On the first full  
9 paragraph, please direct your attention to the second  
10 sentence beginning with "We view." Do you see that,  
11 sir?

12 A. I do.

13 Q. Okay. Would you read that into the  
14 record, please?

15 A. "We view the company's planned sale of  
16 its unregulated business, Strategic Energy, to Direct  
17 Energy for \$300 million as credit-supportive and will  
18 strengthen its business profile upon the close of the  
19 transaction."

20 Q. Do you believe that statement to be  
21 true?

22 A. Very much so.

23 Q. And then finally, when Mr. Dottheim was  
24 asking you about the control budget estimate and you  
25 spoke of the estimate that was rendered when

1     engineering was 25 percent complete, was that  
2     referring to Iatan 2 or Iatan 1?

3             A.       It was a collective percentage, and  
4     Iatan 1 would have been further along than Iatan 2.

5             Q.       Okay. And when you referred to the  
6     turbine generator being on the Missouri River, what  
7     unit is that for?

8             A.       That is for unit 2.

9             MR. ZOBRIST: Nothing further, Judge.

10            JUDGE STEARLEY: All right. Thank you,  
11     Mr. Zobrist. I believe that concludes your  
12     examination for the day, Mr. Downey. I will release  
13     you, but will not finally release you in case the  
14     Commission should have further questions for you.  
15     Thank you very much.

16            And this looks like an opportune time to  
17     break for lunch.

18            MR. CONRAD: Judge, before you do that,  
19     I was just checking. I believe Mr. Downey's  
20     testimony had already been addressed and received  
21     subject to the usual objection --

22            JUDGE STEARLEY: I believe it was  
23     also --

24            MR. CONRAD: -- and I was trying to get  
25     clarification.

1 JUDGE STEARLEY: -- back in December.

2 MR. CONRAD: Yes. And I think at that  
3 point it would have been obviously subject to the  
4 ruling on the original motions. So just trying to  
5 avoid the drill.

6 JUDGE STEARLEY: Understand, Mr. Conrad,  
7 and thank you for making a record of that.

8 If there's -- if there's nothing else,  
9 we'll go ahead and break for lunch, and we will be  
10 reconvening beginning with testimony of Mr. Chesser?

11 MR. ZOBRIST: Correct.

12 JUDGE STEARLEY: And why don't we come  
13 back at approximately 1:20, 1:25.

14 (THE LUNCH RECESS WAS TAKEN.)

15 JUDGE STEARLEY: All right. We are back  
16 on the record and picking up with the testimony of  
17 Mr. Chesser.

18 MR. ZOBRIST: That's correct.

19 JUDGE STEARLEY: If you would please  
20 call Mr. Chesser to the stand.

21 MR. DOTTHEIM: Yes. The Staff calls  
22 Mr. Michael Chesser.

23 JUDGE STEARLEY: Mr. Chesser, I'm not  
24 sure of the status of your being sworn in from the  
25 December round of hearings in this case, so I am



1 going to go ahead and swear you in at this time.

2 MR. CHESSEY: Sure.

3 (The witness was sworn.)

4 JUDGE STEARLEY: Thank you. And Staff,  
5 you may proceed with your examination.

6 MR. DOTTHEIM: Thank you.

7 DIRECT EXAMINATION BY MR. DOTTHEIM:

8 Q. Good afternoon, Mr. Chessy.

9 A. Good afternoon.

10 Q. Mr. Chessy, I'm going to hand you a  
11 copy of what's been marked as Staff Exhibit No. 136  
12 which is a copy of Standard & Poor's Ratings Direct,  
13 April 2, 2008, Research Update respecting Great  
14 Plains. Mr. Chessy, I'd like to direct you to, in  
15 particular, page 2, the rationale. And first, of  
16 course, you're certainly free to look at the entire  
17 document. It's not very long.

18 But I want to direct your attention  
19 first to the second-to-last paragraph in the  
20 rationale and also the third-to-last paragraph, but  
21 I'll give you an opportunity to take a look at that  
22 document.

23 A. Okay.

24 Q. Mr. Chessy, had you previously seen  
25 that document?

1           A.       I think I have. I think I reviewed it  
2 briefly.

3           Q.       Okay. And I'd -- do you in your  
4 capacity as chairman of the board of Great Plains  
5 Energy have occasion to deal with Standard & Poor's?

6           A.       I do, a couple of times a year.

7           Q.       I'd like to direct you in particular  
8 to the second-to-last paragraph in the "Rationale"  
9 section. And I'd direct you -- there is only one  
10 sentence in that paragraph, and it states, "If Great  
11 Plains chooses to proceed with the Aquila acquisition  
12 without obtaining the appropriate regulatory  
13 safeguards, and assuming the company makes no other  
14 compensating modifications to its plan, lower ratings  
15 on Great Plains and Kansas City Power & Light Company  
16 could result." Did I read that accurately?

17          A.       You did.

18          Q.       Okay. I'd like to direct you to the  
19 phrase "without obtaining the appropriate regulatory  
20 safeguards." Do you have any understanding as to  
21 what Standard & Poor's might be referring to  
22 respecting that phrase?

23          A.       No, I really don't. I didn't have any  
24 conversation with the people that -- that wrote that.

25          Q.       Okay. I'd like to direct you in that

1 same sentence, the phrase "assuming the company makes  
2 no other compensating modifications to its plan." Do  
3 you have any understanding what Standard & Poor's  
4 might mean by that phrase?

5 A. No, I don't. I can say in a general  
6 sense my understanding is that Standard & Poor's will  
7 look at all the factors affecting a company at any  
8 given point in time. These are some of the factors  
9 that they looked in to make their overall assessment.

10 Q. And that -- that comment you just made,  
11 was that also in regards to the phrase "without  
12 obtaining the appropriate regulatory safeguards"?

13 A. Yeah, I think that would -- that would  
14 cover that as well.

15 Q. Okay. I'd like to refer you to the  
16 paragraph that precedes the paragraph I just directed  
17 you to, and direct you to the first sentence, and in  
18 particular -- well, I'll give you an opportunity to  
19 take a look.

20 A. Okay.

21 Q. Okay. And I'd like to direct you to the  
22 phrase, "if Great Plains utility subsidiaries will  
23 have access to adequate and timely recovery of all  
24 costs." Mr. Chesser, do you know or do you have some  
25 understanding as to what Standard & Poor's might mean

1 by that phrase?

2 A. Again, I've had no direct conversations  
3 with them, so it would be hard for me to interpolate  
4 other than what I've said before.

5 Q. Okay. And I'd like to direct you to the  
6 phrase, "Regulators will work with the utilities to  
7 prevent material cash flow degradation during the --  
8 their joint capital plan."

9 A. Uh-huh.

10 Q. Do you have any understanding what  
11 Standard & Poor's might mean by that phrase?

12 A. Same response other than I -- I can say  
13 that one thing that I have gleaned in our  
14 conversations with them is that they tend to look at,  
15 you know, what our long-term financial position is  
16 going to be. They don't just look at next quarter or  
17 next year, they look at over the next three to five  
18 years.

19 And I think they feel pretty favorable  
20 about the assets that we have coming into rate base  
21 and the -- the Aquila debt that ultimately would be  
22 worked off. So it's a -- it tends to be a  
23 longer-term view that they take when they make these  
24 kinds of judgments. Okay?

25 Q. Does Great Plains' utility subsidiary

1 Kansas City Power & Light have access to adequate and  
2 timely recovery of all costs?

3 A. I believe we do have access to adequate,  
4 timely recovery.

5 Q. And do Missouri regulators work with  
6 Kansas City Power & Light to prevent material cash  
7 flow degradation?

8 A. I believe they do, yes.

9 Q. Mr. Chesser, were you present at the CEP  
10 oversight committee meeting that occurred last  
11 Friday, April 25, where the reforecasting numbers  
12 were presented, if I understand correctly?

13 A. I was, yeah. The preliminary numbers,  
14 yeah.

15 Q. And the -- the consumer energy program,  
16 the CEP oversight committee, that body was created at  
17 your direction, was it not?

18 A. Yes, it was, yes.

19 Q. Okay. And you saw a need for that --  
20 that body to exist?

21 A. I thought it would be good governance  
22 practice for a project of that complexity.

23 Q. From your perspective, what is the next  
24 step or steps that will occur or are now occurring as  
25 a result of the -- the meeting last Friday, April 25,

1 of the CEP oversight committee respecting the  
2 reforecasting results that were presented?

3 A. Sure. As Mr. Downey outlined earlier,  
4 we expect that our outside consultants, particularly  
5 Dan Meyer, will give us his judgment about the  
6 assumptions that were made and give us any advice  
7 that he might have to further adjust those numbers.

8 We expect that to occur prior to our  
9 board meeting on Tuesday. And on Tuesday we then  
10 expect to engage the board in a discussion around the  
11 assumptions and the risks and give them the  
12 opportunity to weigh in with their judgments around  
13 the -- around those.

14 And following that, we will have a  
15 reforecast that we will then communicate to obviously  
16 the Commission, the Staff, the partners. And all of  
17 that will happen prior, we hope, to our earnings call  
18 next week where we will be communicating that to the  
19 public.

20 Q. There's also a annual shareholders  
21 meeting next week?

22 A. There is, yes.

23 Q. And what date will that occur?

24 A. That's on Tuesday.

25 Q. Is that before or after the board

1 meeting?

2 A. That's both -- it's in between the board  
3 meeting. So -- but we do not expect that we will  
4 have had a chance to give due process to that, so we  
5 won't be talking about it at the annual meeting,  
6 yeah.

7 Q. Mr. Chesser, you have been involved  
8 previously in reforecasting activities?

9 A. Yes, I have, yes.

10 Q. And the -- the reforecasting activity  
11 that is presently occurring regarding Iatan 2 and  
12 Iatan 1 projects, in your recollection when did  
13 that -- that activity start?

14 A. It began somewhere in the late fall.

15 Q. And in your experience, from your  
16 experience, is the -- the number of months that that  
17 activity has been in process, is that an unusual  
18 amount of time to engage in a reforecasting activity?

19 A. I've had no experience on a project of  
20 this complexity, but as I've looked at what has been  
21 done in this case, not only going through work  
22 function by work function, but also intense back and  
23 forth discussions with the contractors, I think the  
24 time that we took was necessary to come up with a  
25 reasonable estimate.

1           Q.       Are you anticipating that there will be  
2 any reaction from the rating agencies as a result of  
3 the announcement of the results of the -- the  
4 reforecasting activity?

5           A.       I don't believe there will be, but I  
6 can't speak for them or how they'll -- they'll look  
7 at this.

8           Q.       Is there presently a planned -- an  
9 additional reforecasting to -- to occur respecting  
10 Iatan 2?

11          A.       There's a general sense that when  
12 engineering gets around 90 percent complete towards  
13 the end of this year, we'll take another look at it.

14          Q.       Is it anticipated that the reforecasting  
15 process that will occur at the -- the end of this  
16 year, that it will take as long for that  
17 reforecasting to occur as the -- the process that is  
18 presently winding down?

19          A.       I don't believe it will because in this  
20 case we're dealing with both Iatan 1 and Iatan 2 and  
21 the complexities of the overlap.

22          Q.       Can you provide an indication? Do you  
23 know approximately how many individuals or  
24 consultants have been involved in the reforecasting  
25 effort?



1           A.       How many consultants or how many  
2 individuals?

3           Q.       Well, it -- Kansas City Power & Light  
4 personnel and -- and consultants, outside people,  
5 like Schiff Hardin or Mr. Meyer?

6           A.       Sure, sure. Right. Well, I know the  
7 number of outside consultants and the number of  
8 leaders that have been involved, but, of course,  
9 they -- they each have people working with them, so  
10 if I were to estimate, it might be in the 20 to 30  
11 category.

12          Q.       And has that effort been directed by one  
13 or more individuals at -- at various points?

14          A.       At various points it has, yes.

15          Q.       Could you identify who those  
16 individuals --

17          A.       Sure. The primary person to start was  
18 Dave Price, and upon Dave's departure, it was Bill  
19 Downey.

20          Q.       Was it previously projected that the  
21 reforecasting activity was to have been completed at  
22 an earlier stage, as early as January of this year?

23          A.       My understanding is that that was the  
24 original target, to have it completed. I think it  
25 was in the February time frame.

1           Q.       And if I understood correctly from  
2   Mr. Downey this morning, there will be a new project  
3   director who will be assuming office next week at the  
4   Iatan plant site for the Iatan 2 and the Iatan 1  
5   projects?

6           A.       That's correct, yes.

7           Q.       And that will be the -- the fourth  
8   director for the -- the Iatan project?

9           A.       That's correct, yes.

10                  MR. DOTTHEIM:   At this time I'd like to  
11   approach the witness, if I may.

12                  JUDGE STEARLEY:   You may.

13   BY MR. DOTTHEIM:

14           Q.       Mr. Chesser, I'd like to give you a copy  
15   of what's previously been marked as Staff  
16   Exhibit 132.

17           A.       Okay.   Thank you.

18           Q.       Mr. Downey, have you had -- excuse me.  
19   Mr. Chesser, have you had an opportunity to review  
20   what is marked as Exhibit 132?

21           A.       Yes, I have.

22           Q.       Okay.   And it's a multipage document.  
23   Do you recognize any -- any portion of that document?

24           A.       Yes, I recognize everything but the  
25   first page.

1           Q.       Okay. And I'll represent the first page  
2 as a response from GPE/KCPL which repeats a data  
3 request question from the Office of Public Counsel  
4 and then provides a response and the -- the  
5 subsequent pages provided by GPE/KCPL. You have  
6 indicated that you recognize the subsequent pages?

7           A.       I have, yes.

8           Q.       Can you identify those pages?

9           A.       Sure. They are the estimated risk for  
10 Iatan 1 and Iatan 2 as of January 1st, 2008.

11          Q.       And could you identify when you  
12 previously have seen those pages?

13          A.       I believe that it was around the end of  
14 January.

15          Q.       And -- and could you identify what was  
16 the occasion when you saw those pages?

17          A.       Yes. As was commented earlier, there  
18 was a period where Bill Downey and Dave Price had  
19 met, and then they were going to be meeting with the  
20 executive oversight committee later that week. And  
21 prior to that, they sat down with me and briefed me  
22 on -- on these numbers.

23          Q.       And as a result of that -- that meeting,  
24 certain decisions were made regarding whether to  
25 proceed forward with the numbers or not?

1           A.       Yeah. Dave and Bill both recommended to  
2 me that these numbers needed further vetting before  
3 we had sufficient confidence level on them, and I  
4 agreed with that, that we would take the time to do  
5 the additional vetting.

6           Q.       And as I asked Mr. Downey and I think  
7 I've asked others, the -- the word "vetting" seems to  
8 have come into common usage.

9           A.       Right.

10          Q.       Could you please explain what you mean  
11 by vetting?

12          A.       Sure. And you're right, each project  
13 requires different steps to properly vet. In this  
14 case, I think it was most important that we sit down  
15 and clarify with the major contractors involved what  
16 their flexibility was around schedule and what the  
17 cost schedule trade-offs would be.

18                   And we also needed to make sure that we  
19 understood the impacts that they were likely to see  
20 going forward with labor availability and labor  
21 productivity. So those were issues that clearly had  
22 to be investigated before we had any real confidence  
23 in these numbers.

24          Q.       And that process has now been completed  
25 or is it nearing completion?

1           A.       It's nearing completion, yes.

2           Q.       What -- and again, I'm sorry if -- if  
3   you've gone through this, but there's still a few  
4   items that need to be completed?

5           A.       Yeah. The -- at this point, Dan Meyer  
6   who is our expert in this area is evaluating the  
7   steps that have been taken so far. And he's going to  
8   be making a recommendation to us around is there  
9   anything in his judgment that we've missed or -- and  
10   he's going to be particularly focusing on the area of  
11   contingency and do we have adequate contingency to  
12   reflect the risks.

13          Q.       There was a, and is, a control budget  
14   estimate presently?

15          A.       That's correct.

16          Q.       Does the control budget estimate have a  
17   contingency?

18          A.       Yes, it does.

19          Q.       Does it have more than one contingency?

20          A.       I'm not sure what you mean by "more than  
21   one contingency."

22          Q.       Is there -- is the contingency composed  
23   of -- well, of multiple buckets, I might describe it  
24   as?

25          A.       Well, sometimes -- and I think this is

1 the case with this control budget, although I  
2 don't -- I don't have the detailed knowledge.  
3 Sometimes you have contingencies that are allocated  
4 across the different major functions, and then  
5 they -- you have what's known as unallocated  
6 contingencies, things that could happen that would  
7 affect the whole project such as problems with  
8 foreign deliveries, those kinds of things. So I  
9 think there may be two different sets of  
10 contingencies in that control budget.

11 Q. The Exhibit 132 which I -- which I  
12 handed to you, does it have multiple contingencies?

13 A. From what I can gather just looking at  
14 it, it's just one word, contingency.

15 Q. Okay. And the -- the reforecast will  
16 have a contingency, if I understand you correctly?

17 A. Yeah. I expect the reforecast will have  
18 two levels of contingency, one function-specific and  
19 one, what we would call a nonallocated.

20 Q. In your experience -- we've used the  
21 term "definitive estimate." Is that term used in --  
22 in different contexts and different disciplines?

23 MR. ZOBRIST: Judge, I'm just going to  
24 object only to the extent that now we're covering  
25 these same questions with a third witness, and I

1 believe it's redundant and repetitious.

2 MR. DOTTHEIM: And I'm doing that  
3 because I'm asking Mr. Chesser for how he has used  
4 that term. I just don't want to assume that he's  
5 used it in the same manner that Mr. Downey has used  
6 it or Mr. Giles has used it because it's used in more  
7 than one context.

8 MR. ZOBRIST: Well, I'm going to  
9 continue my objection and ask for a ruling. I  
10 just -- I think that we're beginning to ask, you  
11 know, multiple witnesses the same questions. And I  
12 know that -- I think I was overruled once or twice as  
13 it was attempted to link up to the three topics that  
14 were to be discussed here, and I just don't know why  
15 we need to waste time going to get another witness's  
16 definition of these terms where two witnesses, senior  
17 officers of the company, have already admitted as to  
18 what they believe they mean.

19 JUDGE STEARLEY: Okay. I'm going to  
20 overrule. I will allow your question with this  
21 witness, Mr. Dottheim, but I hope this will not be a  
22 pattern of repetition with every witness scheduled on  
23 this topic.

24 MR. DOTTHEIM: Judge, I'll be very  
25 blunt. You may want to sustain because I intend to

1 ask that question because -- because of what I --  
2 what I said. That term is used differently,  
3 evidently, by different -- different disciplines and  
4 in different contexts, and I am asking the question  
5 for clarity.

6 And I think by Mr. Zobrist's objection,  
7 we've spent more on trying to address -- more time in  
8 trying to address Mr. Zobrist's objection than we  
9 would have spent in Mr. Chesser answering my  
10 question.

11 JUDGE STEARLEY: All right. Well, thank  
12 you, Mr. Dottheim. As you will recall, I did  
13 overrule his objection and you may proceed with this  
14 witness. And we may hear this objection again.

15 THE WITNESS: Okay. I think the best  
16 way for me to answer that is I don't recall using the  
17 term "definitive estimate." I speak in terms of  
18 control budget. To me, that's -- that's what we're  
19 dealing with here.

20 BY MR. DOTTHEIM:

21 Q. Have you heard others use the term  
22 "definitive estimate"?

23 A. I guess I have, but not in a material  
24 way.

25 Q. Okay. Thank you.



1           A.       Yeah.

2           Q.       Mr. Chesser, does the reforecast  
3     number -- numbers become a new control budget or  
4     control budget estimate?

5           A.       Not in my opinion, no. The control  
6     budget is a budget that was established in December  
7     of 2006.

8           Q.       Mr. Chesser, could you identify  
9     generally, if that's possible, the time you spend on  
10    the consumer energy program projects?

11                   MR. ZOBRIST: Mr. Dottheim, I think you  
12    meant comprehensive.

13                   THE WITNESS: Comprehensive.

14                   MR. DOTTHEIM: I'm sorry, comprehensive.  
15    Thank you, Mr. Zobrist.

16                   THE WITNESS: Sure. Well, as I look  
17    across all the things that we've been involved in in  
18    the past year, I'd say maybe 15 to 20 percent.

19    BY MR. DOTTHEIM:

20           Q.       And I said the -- as corrected,  
21    comprehensive energy program projects. In  
22    particular, Iatan 2 and Iatan 1, if you would limit  
23    it just to those two projects.

24           A.       I would say that's probably 10 to 15  
25    percent.

1           Q.       And respecting the proposed GPE  
2   acquisition of Aquila, if you can give a general  
3   indication as to a percentage of your time that is  
4   spent on the proposed acquisition.

5           A.       Sure. And just to clarify, we will have  
6   senior executives who are accountable for the  
7   integration of Aquila and also who are accountable  
8   for the delivery of the comprehensive energy plan.  
9   My job is the senior-most level oversight. And I  
10   would say in that case, we may be talking the same 15  
11   to 20 percent.

12          Q.       Mr. Chesser, Kansas City Power & Light  
13   received an award as a Tier 1 company?

14          A.       Tier 1 in what regard?

15          Q.       Is that a categorization from the Edison  
16   Electric Institute?

17          A.       Okay. Now, the Edison Electric  
18   Institute we received the Edison award.

19          Q.       Okay.

20          A.       That was not for a Tier 1 performance.

21          Q.       Is that J.D. Power?

22          A.       There was a study that was done by a  
23   benchmarking organization that had looked at 100  
24   different utilities across the country, and we  
25   received a -- not only the Tier 1, but we received

1 the national award for reliability.

2 Q. KCPL has received an Edison Electric  
3 Institute award?

4 A. It's received the -- their Edison award  
5 this year, yes.

6 Q. Are you on the board of directors of the  
7 Edison Electric Institute?

8 A. I am. Yes, I am.

9 Q. Can you identify how many individuals  
10 are on the board of the Edison Electric Institute?

11 A. Yeah, I think there may be 20, somewhere  
12 in that neighborhood.

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

15 JUDGE STEARLEY: Certainly,  
16 Mr. Dottheim.

17 BY MR. DOTTHEIM:

18 Q. Mr. Chesser, you've indicated that there  
19 will be an additional reforecast, if I understood  
20 correctly, regarding Iatan 2 at the 90 percent  
21 engineering level?

22 A. That's the thinking at this time, yes.

23 Q. Okay. Do you have any expectation  
24 whether the reforecast numbers projecting costs for  
25 Iatan 2 will be the same, greater or less than the

1 reforecast numbers that were seen last Friday,  
2 April 25?

3 A. I think it's equally as likely to be  
4 higher as it would be lower.

5 MR. DOTTHEIM: One moment, please. I  
6 think I may be done. Mr. Chessser, thank you.

7 THE WITNESS: Thank you.

8 JUDGE STEARLEY: Thank you,  
9 Mr. Dottheim. Examination by Public Counsel.

10 MR. MILLS: Just a couple of questions.  
11 Thank you.

12 CROSS-EXAMINATION BY MR. MILLS:

13 Q. Good afternoon, Mr. Chessser.

14 A. Good afternoon.

15 Q. Just to follow up on that last question,  
16 how long have you been involved in the regulated  
17 utility industry in the United States?

18 A. Let's see, since 1971.

19 Q. Okay. That's about 37 years?

20 A. If you can calculate that, yes.

21 Q. And it's your testimony under oath today  
22 that you think that the reforecast that you're  
23 anticipating may be done towards the end of 2008,  
24 that there's an equally likely chance that the --  
25 that the -- the numbers will come down as they will

1 to go up?

2 A. It is because, you know, we're  
3 consciously putting additional contingency and to  
4 reflect things that we may not be able to quantify at  
5 this point. And the best I can tell as we put in --  
6 a contingency in for labor availability, delivery  
7 issues and so forth, that the number we're shooting  
8 for is one that will be, you know, equally likely to  
9 go down as go up. That's what I believe.

10 Q. And I believe you answered a question  
11 from Mr. Dottheim, that you've been involved in  
12 reforecasting a construction project before?

13 A. I have, yes.

14 Q. Have you been involved in reforecasts in  
15 which the numbers -- the cost estimates have gone  
16 down?

17 A. I have. Yes, I have.

18 Q. And have you been involved in  
19 reforecasts in which the cost numbers have gone up?

20 A. I have, yes.

21 Q. And which has happened more frequently?

22 A. As I think about major projects -- it's  
23 hard -- it's hard to quantify. I would estimate that  
24 maybe, I'm thinking of five major projects that I've  
25 been in. Three went up and two went down, so ...

1           Q.       Okay. Now, with respect to this  
2 particular case, I'm going to ask you a couple of  
3 hypotheticals about possible Commission decisions in  
4 this case. If the Commission approves the  
5 application but decides not to allow transaction  
6 costs, would you recommend that Great Plains go ahead  
7 with the acquisition?

8           A.       Everything else being equal?

9           Q.       Uh-huh.

10          A.       Well, first, I would see that as a  
11 unfair distribution of benefits between the  
12 shareholder and the customer because I think there  
13 are significant benefits to the customer that flow  
14 out of this merger. But in and of itself, that would  
15 probably not be enough to hold up the -- our going  
16 through with the merger.

17          Q.       Okay. And let me back up a step. Will  
18 you have a role in -- in deciding whether or not GPE  
19 goes ahead to close the transaction based on a  
20 Commission decision in Missouri?

21          A.       I will have a role, but it will be a  
22 discussion that takes place with more than me.  
23 Obviously, we would involve our board and it would be  
24 a major decision.

25          Q.       But is it likely you would be the one

1     who would make a recommendation -- or you would be  
2     one of the people to make a recommendation to the  
3     board on how to proceed?

4             A.       Yeah.

5             Q.       Okay.  Now, assume with me that the --  
6     that the Commission is concerned about a possible  
7     downgrade as a result of this merger.  If the  
8     Commission issued a decision in which it conditioned  
9     the approval such that it granted you approval to go  
10    forward but stated that any resulting increase in  
11    cost as a result of a downgrade would be borne by  
12    GPE -- by -- by shareholders rather than KCPL  
13    ratepayers, would you recommend to the board that you  
14    go forward?

15            A.       I don't know the answer to that at this  
16    time.  I would really have to think about that and  
17    consult other folks.  It would be more -- much more  
18    problematic for me.

19            Q.       Okay.  That's a tougher choice than  
20    transaction costs?

21            A.       It is, yes.

22            Q.       Okay.  Do you have an opinion today as  
23    to how likely you think it is that a downgrade may  
24    result as -- from approval of this transaction in  
25    Missouri?

1           A.       I think it's very unlikely that a  
2   downgrade would result. And it's based on, as I said  
3   before, not only the letters and advice that we've  
4   gotten from the Commission, but also my -- from the  
5   rating agencies -- but my experience in working with  
6   them through the years.

7                    You know, I think they look at the  
8   longer view, not just the short term, and I think  
9   they see in our long-term picture the Aquila debt  
10  working off, Strategic Energy being sold, additional  
11  assets being put in the rate base, significant growth  
12  from the Aquila service area. So I think that all  
13  adds up. I believe that all adds up into their eyes  
14  as a pretty positive story.

15          Q.       So in other words, you think it's a very  
16  minimal risk that a -- that a downgrade will result  
17  from this merger?

18          A.       I do.

19          Q.       Yet you would still have a problem -- I  
20  believe you said problematic, it would be problematic  
21  to recommend to the board to go forward taking that  
22  risk on with shareholders?

23          A.       I just don't think that's good process.  
24  I've never seen that kind of a blanket assurance  
25  being -- being done in a merger. I think it's more



1     likely and it's more appropriate after the fact to  
2     come for rate cases for us to be judged as to the  
3     prudence of our actions. So that -- that just seems  
4     to me to be somewhat an abhorrent approach.

5           Q.     It's fairly similar to the approach that  
6     this Commission took with Aquila, is it not?

7           A.     I'm not familiar with that. I'm just  
8     looking at the -- the mergers that have taken place  
9     across the country. I don't remember seeing -- and  
10    I've certainly not been involved in any condition  
11    like that.

12          Q.     Okay. But you're aware that over the  
13    last several years, at least, that for regulatory  
14    purposes, Aquila's actual cost of debt has not been  
15    passed on to Aquila ratepayers in Missouri; is that  
16    correct?

17          A.     That -- that I am aware of, yes.

18                   MR. MILLS: Okay. That's all the  
19    questions I have. Thank you.

20                   JUDGE STEARLEY: Thank you, Mr. Mills.  
21    Examination by AgProcessing.

22                   MR. WOODSMALL: No questions. Thank  
23    you.

24                   JUDGE STEARLEY: Okay. Thank you,  
25    Mr. Woodsmall. Black Hills.

1                   MR. DeFORD: No questions, thank you.

2                   JUDGE STEARLEY: Aquila.

3                   MS. PARSONS: No questions.

4                   JUDGE STEARLEY: Questions from the

5 Bench. Commissioner Jarrett.

6                   COMMISSIONER JARRETT: No questions.

7                   JUDGE STEARLEY: Any examination by GPE?

8                   MR. ZOBRIST: No questions, Judge.

9                   JUDGE STEARLEY: Thank you, Mr. Chesser,

10 for your testimony. You may step down.

11 You may not be finally excused just in case the

12 Commission should have additional questions for

13 you.

14                   THE WITNESS: Thank you very much.

15                   JUDGE STEARLEY: And you may call your

16 next witness. I believe we're up to Mr. Cline.

17                   MR. ZOBRIST: That's correct, Judge.

18                   JUDGE STEARLEY: Mr. Cline, I believe

19 we've sworn you in already in this case, haven't

20 we?

21                   THE WITNESS: Yes, your Honor.

22                   JUDGE STEARLEY: And I remind you that

23 you're still under oath.

24                   THE WITNESS: Thank you.

25                   JUDGE STEARLEY: And you may proceed

1 with your examination, Mr. Dottheim.

2 MR. ZOBRIST: Mr. Dottheim reminds me  
3 that he's being offered on creditworthiness and  
4 perhaps some other issues. So I -- since part of  
5 that is in his prefiled testimony, I'll just do the  
6 basic preliminaries.

7 DIRECT EXAMINATION BY MR. ZOBRIST:

8 Q. Mr. Cline, I think we've previously  
9 marked -- we've previously marked your testimony; is  
10 that correct?

11 A. Yes.

12 Q. Do you have any additional corrections  
13 or modifications to your testimony?

14 A. No, I don't.

15 MR. ZOBRIST: Okay. And Judge, I'll  
16 find those numbers later on, but -- yeah, I believe  
17 it's Exhibits 8, 9, 10 and 38, both nonproprietary  
18 and highly confidential. They've been marked. I'd  
19 tender the witness for cross-examination at this  
20 time.

21 JUDGE STEARLEY: All right. Thank you,  
22 Mr. Zobrist. And we will proceed in the same order  
23 of examination as we have been with the other  
24 witnesses, so Mr. Dottheim, you're up first, unless  
25 you'd -- unless you'd rather I go along our old

1 listing.

2 MR. DOTTHEIM: Yes, that's --

3 JUDGE STEARLEY: I see you searching

4 there, so --

5 MR. DOTTHEIM: Yes, I'm looking for a

6 couple of exhibits.

7 JUDGE STEARLEY: Okay. We may still get

8 back to you pretty quickly here.

9 MR. DOTTHEIM: I understand.

10 JUDGE STEARLEY: Any examination by

11 Aquila?

12 MS. PARSONS: No.

13 JUDGE STEARLEY: Black Hills.

14 MR. DeFORD: No questions.

15 JUDGE STEARLEY: AgProcessing,

16 Mr. Woodsmall.

17 MR. WOODSMALL: Thank you, your Honor,

18 very briefly.

19 CROSS-EXAMINATION BY MR. WOODSMALL:

20 Q. Do you have your -- I believe it's been

21 marked Exhibit 38, the additional supplemental direct

22 testimony filed February 25th?

23 A. Yes, I do.

24 Q. Turning to --

25 MR. WOODSMALL: And Counsel, I'll

1     advise you to the extent that I go into HC  
2     information, please tell me. I don't know what has  
3     been declassified, so you may have to help me with  
4     that.

5     BY MR. WOODSMALL:

6             Q.       But turning to your schedule MWC-18  
7     which is a presentation S&P made on January 2nd.

8             A.       Just one moment.

9             Q.       Sure.

10            MR. ZOBRIST: Mr. Woodsmall, those --  
11   pardon me. Those do remain highly confidential, but  
12   any preliminary questions may be fine for open  
13   session.

14            MR. MILLS: Not to disagree with  
15   Mr. Zobrist, but I believe the first six or seven  
16   pages have been declared public.

17            MR. ZOBRIST: You know, I think you're  
18   right. I think Mr. Mills is right.

19            MR. WOODSMALL: Well, to clarify, my  
20   questions are going to be on pages 14 and 15, so we  
21   may need to go in-camera on that.

22            JUDGE STEARLEY: All right. Well, I am  
23   going to go ahead and take us in-camera. And once  
24   again, I will leave it to the attorneys to police our  
25   gallery for those people who should not be here for

1     this portion of the testimony.

2                     (REPORTER'S NOTE:  At this point, an  
3     in-camera session was held, which is contained in  
4     Volume 20, pages 2547 through 2578 of the  
5     transcript.)

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1 (A RECESS WAS TAKEN.)

2 JUDGE STEARLEY: All right. We are back  
3 on the record. Staff will be resuming questions of  
4 Mr. Cline shortly. We are -- we are out of our  
5 in-camera review. We are in the process of  
6 determining if we need to remain in-camera.

7 MR. DOTTHEIM: No, I don't think we need  
8 to remain in-camera.

9 JUDGE STEARLEY: All right. Very well.  
10 We are going to remain in public forum.

11 CROSS-EXAMINATION BY MR. DOTTHEIM:

12 Q. Good afternoon, Mr. Cline.

13 A. Good afternoon, Mr. Dottheim.

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

16 JUDGE STEARLEY: Yes, you may.

17 BY MR. DOTTHEIM:

18 Q. Mr. Cline, I'm going to hand to you a  
19 document that's been marked Staff Exhibit No. 136.  
20 It's a copy of a Standard & Poor's Ratings Direct  
21 dated April 2, 2008, Research Update respecting Great  
22 Plains Energy. A number of people have, I think,  
23 directed me to you regarding that document.

24 A. Yes, sir.

25 Q. Mr. Cline, have you had a chance to take

1 a look at what's been marked Exhibit 136?

2 A. Yes, I have.

3 Q. Do you recognize that document?

4 A. Yes, I do.

5 Q. Okay. Can you identify that document?

6 A. Yes. This was a release that Standard &  
7 Poor's issued on April 2nd concomitant with the  
8 announcement of our Strategic Energy sale.

9 Q. Did you see a draft of this document  
10 before it was made public?

11 A. No, I did not.

12 Q. Do -- or do you or does Standard &  
13 Poor's on -- on occasion make available to KCPL  
14 drafts of public releases before it makes them public  
15 for KCPL to review?

16 A. In almost all cases, yes, we're given a  
17 chance to comment on factual and public disclosure  
18 issues.

19 Q. But that wasn't the case in this  
20 instance?

21 A. Not with this one, no.

22 Q. Okay. I'd like to direct you to the  
23 second page, the section that's -- has the heading  
24 Rationale.

25 A. Yes.



1           Q.       And the second-to-the-last paragraph,  
2     the one-sentence paragraph, "If Great Plains chooses  
3     to proceed with the Aquila acquisition without  
4     obtaining the appropriate regulatory safeguards, and  
5     assuming the company makes no other compensating  
6     modifications to its plan, lower ratings on Great  
7     Plains and Kansas City Power & Light Company could  
8     result." Did I read that accurately?

9           A.       Yes, you did.

10          Q.       Okay. Do you have any understanding as  
11     to what may be the meaning of the phrase "without  
12     obtaining the appropriate regulatory safeguards"?

13          A.       Yes, I think I do.

14          Q.       Could you please identify what your  
15     understanding is?

16          A.       Sure. I think I need to provide a bit  
17     of context here. This language is essentially  
18     verbatim with the press release that S&P issued when  
19     we announced the Aquila transaction. In fact, I  
20     believe it is word-for-word.

21                    At that time there was, I think, more of  
22     a -- a focus by S&P on the concept of additional  
23     amortization, and I think as we've continued to work  
24     with them on this transaction, and then particularly  
25     as they see developments such as the sale of

1 Strategic Energy, that has become a -- a -- a reduced  
2 important -- that factor has become of reduced  
3 importance.

4 Q. And there's the phrase "assuming the  
5 company makes no other compensating modifications to  
6 its plan." Do you have an understanding as to what  
7 that phrase means?

8 A. Well, there are always a number of  
9 alternatives available to the company for purposes of  
10 maintaining credit rating. You can -- you can have a  
11 compensating modification through the type of  
12 financing plan that you utilize, you can have a  
13 compensating modification through a change in your --  
14 your corporate structure such as selling a subsidiary  
15 as we've done here, you can evaluate your -- your  
16 spending both from a capital and an O&M perspective.  
17 There are a number of things that could fall into  
18 that category.

19 Q. I'd like to direct you to the -- the  
20 preceding paragraph on that page, in particular the  
21 first sentence.

22 A. Yes.

23 Q. The phrase "access to adequate and  
24 timely recovery of all costs," do you have an  
25 understanding of what Standard & Poor's means by that

1 phrase?

2 A. Yes, I think do.

3 Q. Okay. Could you -- could you provide  
4 your understanding?

5 A. I think it's fairly self --  
6 self-explanatory that they are presuming here that  
7 the utility operations would -- would not suffer from  
8 a significant amount of disallowance on its capital  
9 projects, on our capital projects.

10 Q. And if I could direct you to the same  
11 sentence, the phrase, "regulators will work with  
12 utilities to prevent material cash flow degradation  
13 during their joint capital plan." I really should  
14 provide the word "if" that starts off the sentence, I  
15 think.

16 So it would be "If regulators will work  
17 with the utilities to prevent material cash flow  
18 degradation during their joint capital plan." Do you  
19 have an understanding of what Standard & Poor's means  
20 by that phrase?

21 A. Yes, I think they're referring here to  
22 just reasonable regulatory treatment through the rate  
23 case processes similar to how they would view Kansas  
24 City Power & Light's experience in its last two rate  
25 cases.

1           Q.       Might that include the provision of  
2 additional amortizations?

3           A.       Again, that would have been a more  
4 important factor for them earlier in this  
5 transaction. As their analysis from January showed,  
6 it is no longer as important a factor.

7           Q.       That factor has not been eliminated, has  
8 it?

9           A.       They view it, I think, as a  
10 nice-to-have, not as a need-to-have.

11          Q.       And what do you base that on?

12          A.       It would be based partially upon the  
13 letter and partially upon just my -- my discussions  
14 with them.

15          Q.       And you say your "discussions with  
16 them." Can you identify who you're referring to?

17          A.       We have a primary analyst at Standard &  
18 Poor's. His name is Gabe Grossberg (phonetic  
19 spelling). He was the party primarily responsible  
20 for the analysis done in January.

21          Q.       Is he the analyst who is responsible for  
22 the subsequent analysis?

23          A.       Yes.

24          Q.       This April 2, 2008 research update, is  
25 this the most recent issuance from Standard & Poor's

1     respecting Great Plains or Aquila or Kansas City  
2     Power & Light?

3             A.       I know it is with respect to Great  
4     Plains and KCP&L. I'm trying to remember when they  
5     upgraded the rating of Aquila. I believe this was  
6     after that, so yes, I believe the answer is yes.

7             Q.       Have you had any discussion with  
8     Standard & Poor's respecting the reforecast that is  
9     presently occurring regarding Iatan 2 and the Iatan 1  
10    projects?

11            A.       No.

12            Q.       Based upon your experience, do you  
13    anticipate that when the results of the reforecast  
14    process are made public, that that will have any  
15    effect on the Standard & Poor's analysis of GPE/KCPL?

16            A.       I think they'll be interested.

17            Q.       Do you anticipate it would have a  
18    negative effect?

19            A.       No.

20            Q.       Do you anticipate it would have a  
21    positive effect?

22            A.       It would depend.

23            Q.       And what would it depend upon?

24            A.       It would depend upon the manner in  
25    which, you know, we presented the reforecast and

1 particularly the financing plan that we would ascribe  
2 to it. So how -- how the cost change -- you know, if  
3 it were an increase, would be -- would be financed.

4 Q. Is there -- there an intention to  
5 present a -- a financing plan or is there an intent  
6 to present a financing plan relating to the results  
7 of the reforecast?

8 A. Yes.

9 MR. ZOBRIST: If you're going to follow  
10 up on it, we may need to go into HC session, don't  
11 you think?

12 THE WITNESS: Yes.

13 MR. ZOBRIST: Mr. Cline is indicating  
14 yes, so ...

15 JUDGE STEARLEY: Very well.

16 (REPORTER'S NOTE: At this point, an  
17 in-camera session was held, which is contained in  
18 Volume 20, pages 2587 through 2596 of the  
19 transcript.)

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

3 MR. DOTTHEIM: May I approach the  
4 witness?

5 JUDGE STEARLEY: You may.

6 CROSS-EXAMINATION (CONTINUED) BY MR. DOTTHEIM:

7 Q. Mr. Cline, I'm going to hand to you a  
8 copy of what's been marked as Staff Exhibit 137.  
9 It's a copy of Standard & Poor's Ratings Direct dated  
10 March 20, 2008, Research Update respecting Aquila  
11 Inc.

12 A. Uh-huh. Thank you.

13 Q. Mr. Cline, have you had an opportunity  
14 to take a look at what's been marked as Staff  
15 Exhibit 137?

16 A. Yes.

17 Q. Okay. Do you recognize that document?

18 A. Yes.

19 Q. Could you identify that document?

20 A. This was a release from Standard &  
21 Poor's on March 20th, 2008, announcing an upgrade in  
22 Aquila's credit rating to double B minus.

23 Q. And I'd like to direct you in particular  
24 to the second page, the Rationale section, the  
25 second-to-the-last paragraph on the page, the

1 paragraph with the two bullet points, and in  
2 particular the second bullet point. But the sentence  
3 right before the first bullet point is necessary for  
4 the second bullet point also.

5 And in particular, I'd like to direct  
6 you to the second sentence in the second bullet  
7 point.

8 A. Yes.

9 Q. Okay. If I can paraphrase from that  
10 paragraph, it indicates, does it not, that  
11 improvements to the rating of Aquila will be hindered  
12 by the company not having access to any form of  
13 accelerated amortization?

14 A. It simply recognizes that the ability  
15 for the rating to be improved is hindered by the  
16 capital spending level and the fact that they don't  
17 earn a cash return on construction work in progress  
18 and also do not have amortization -- accelerated  
19 amortization.

20 Q. Is the answer to my question yes?

21 MR. ZOBRIST: Well, I object. I think  
22 that's argumentative because he gave an answer to the  
23 question.

24 JUDGE STEARLEY: Mr. Dottheim?

25 MR. DOTTHEIM: Well, I think my question



1 can be answered yes or no or I don't know.

2 MR. ZOBRIST: Well, Judge, I don't think  
3 so because it's a sentence that has two independent  
4 portions to it and Mr. Cline has answered with a full  
5 sentence and Mr. Dottheim wants him just to focus on  
6 the second part of the question. I ...

7 JUDGE STEARLEY: Mr. Dottheim, you can  
8 re-ask the second part as a separate question,  
9 please.

10 MR. DOTTHEIM: Right.

11 BY MR. DOTTHEIM:

12 Q. Mr. Cline, does the second paragraph --  
13 second-to-the-last paragraph on the second page, the  
14 Rationale section, indicate that improvements to the  
15 rating of Aquila would likely be hindered by the  
16 company not earning a cash return on construction  
17 work in progress and at not having access to any form  
18 of accelerated amortization?

19 A. No.

20 Q. What does that paragraph indicate?

21 A. I think -- they're -- they're -- they're  
22 making a factual statement that the company does not  
23 earn a return on CWIP and it also does not have  
24 access to accelerated amortization today. That's a  
25 factual statement.

1           Q.       There's no indication that the  
2       company -- that is, Aquila -- not having access to  
3       any form of accelerated amortization -- that is,  
4       additional amortizations -- would not hinder the  
5       Standard & Poor's view, Aquila's opportunity for  
6       improvements in ratings from Standard & Poor's?

7           A.       I don't think so. I think,  
8       Mr. Dottheim, we can go back to what I said earlier,  
9       that a company has different methods at its disposal  
10      to address pressures on cash flows. So the absence  
11      of additional amortization or CWIP in and of itself  
12      is not a hindrance to the -- to improvements in the  
13      rating. The plan -- the spending plans could be  
14      changed. There are other actions that could be  
15      taken.

16          Q.       Does that paragraph suggest the taking  
17      of other actions by Aquila?

18          A.       It does not suggest that.

19          Q.       You're suggesting that Aquila take other  
20      actions, are you not?

21          A.       No, I'm not.

22          Q.       You're suggesting that Aquila has other  
23      options, are you not; other options than accelerated  
24      amortization?

25          A.       There are always other -- other

1 alternatives, yes.

2 Q. You are suggesting that in your answer,  
3 are you not?

4 A. Yes.

5 Q. Where do you see that in that paragraph?

6 MR. ZOBRIST: Judge, I'm going to  
7 object. He's asking a KCPL/Great Plains Energy  
8 witness to interpret someone else's document about  
9 another company. If we can begin to link it up to  
10 the merger or something like that, then I won't have  
11 an objection. But we seem to be just debating what a  
12 third party is saying, and he's asking a witness  
13 who's not from Aquila to speculate on what Aquila  
14 management might do.

15 JUDGE STEARLEY: Mr. Dottheim?

16 MR. DOTTHEIM: He was interpreting the  
17 document in his response which he gave to me which  
18 Mr. Zobrist is now objecting to him doing. Judge, I  
19 would -- I won't pursue this any further. I think it  
20 speaks for itself.

21 JUDGE STEARLEY: All right. Very good,  
22 Mr. Dottheim. Saved me from having to make a call.

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

25 JUDGE STEARLEY: Certainly.

1                   MR. DOTTHEIM: May I approach the  
2 witness?

3                   JUDGE STEARLEY: You may.

4 BY MR. DOTTHEIM:

5           Q.       Mr. Cline, I'm going to hand to you what  
6 I believe has previously been marked Exhibit -- I  
7 think it's Exhibit 123. It's the Great Plains Energy  
8 Edward Jones Mid-Cap Utility Conference, March 25,  
9 2008 presentation in New York City.

10          A.       Thank you.

11          Q.       Mr. Cline, can you identify that  
12 document?

13          A.       Yes. This was a presentation that we  
14 made at an investor conference sponsored by Edward  
15 Jones in late March.

16          Q.       And when you said a "presentation that  
17 we made," "we" being?

18          A.       Great Plains Energy.

19          Q.       You were one of the individuals that  
20 were involved in the presentation?

21          A.       Yes, I presented it on behalf of the  
22 company.

23          Q.       Okay. Mr. Cline, you're a member of the  
24 CEP oversight committee?

25          A.       Yes, I am.

1           Q.       Okay. And again, you were present last  
2     Friday, April 25, for the presentation of the  
3     reforecast numbers in the schedule?

4           A.       Yes, I was.

5           Q.       Have you played, so to speak, any role  
6     in the reforecast process other than as a member of  
7     the CEP oversight committee?

8           A.       I had a little bit more of an involved  
9     role than the other members of the committee in a  
10    couple of respects. I participated in a session with  
11    a couple of our large contractors on the project as  
12    well as the owner's engineer. And I also was  
13    involved in a discussion with the project leadership  
14    team when the proposed contingencies that were  
15    presented to the whole team were developed.

16                   I also had a chance to take a look at  
17    the numbers before they were presented to the full  
18    committee because we were starting to think about  
19    external messaging and how to clearly communicate the  
20    drivers of the change to the full committee, and in  
21    my role as head of investor relations, they thought  
22    my insight would be helpful.

23          Q.       Do you anticipate that you will have any  
24    role in the remainder of the present reforecasting  
25    process?

1           A.       No.

2           Q.       Mr. Cline, at the presentations that --  
3       that are made for the investment analysts on a  
4       somewhat regular basis that are web cast on the web  
5       site of Great Plains Energy/Kansas City Power &  
6       Light, those matters are in various instances  
7       indicated by a bullet point that states "Script and  
8       Q&A."

9                   And in those instances where there's a  
10      bullet point and a "Script and Q&A," there's a  
11      transcript. I'm curious as to whether that  
12      denomination "script" also might indicate when you  
13      are at these presentations, do the presenters also  
14      work from a written script?

15          A.       Not necessarily. Usually there are  
16      talking points that the presenters work from, but as  
17      far as a word-for-word script, typically, no.

18          Q.       So what -- what appears on the web site,  
19      the bullet point that says "Script and Q&A" may be  
20      just a short form for transcript --

21          A.       Transcript.

22          Q.       -- and Q&A and not indicating that --  
23      that actually the transcript that appears is actually  
24      a written script?

25          A.       Correct.

1                   MR. DOTTHEIM: Okay. If I could have a  
2 moment, please.

3                   JUDGE STEARLEY: Certainly,  
4 Mr. Dottheim.

5 BY MR. DOTTHEIM:

6           Q.       Mr. Cline, the -- the two letters  
7 that -- that were addressed to you from Standard --  
8 Standard & Poor's, I believe dated January 7, 2008,  
9 which is Exhibit 125, and the letter from Moody's  
10 dated, I believe, January 8th, 2008, which is  
11 Exhibit 124, were there any subsequent communications  
12 in response from GPE/KCP&L back to Standard & Poor's  
13 and Moody's directly relating to either of those  
14 letters?

15          A.       No, not following the receipt of the  
16 letters.

17          Q.       Okay. If there were anything in error  
18 in either of the letters, would that have been  
19 communicated to Standard & Poor's or Moody's?

20          A.       Not -- not necessarily. It would -- it  
21 would depend, I guess, on some judgment as to whether  
22 we felt that it was an important error. Otherwise,  
23 we may just call it to their attention at a -- at a  
24 later -- a later time. If we thought they were  
25 basing their information on something material that

1 was incorrect, we would call it to their attention.

2 Q. Was there anything of that nature in  
3 either one of those letters that to your knowledge  
4 was brought -- was brought to the attention of  
5 Standard & Poor's or Moody's?

6 A. Well, there's one item I can think of  
7 that we did not specifically speak with Moody's about  
8 that we will call to their attention at -- at some  
9 point, but we didn't view it -- I don't think they  
10 viewed it as a material issue.

11 Q. And I was asking whether in actuality  
12 GPE or KCPL contacted -- and I think you've already  
13 answered.

14 A. Yes, we -- we did not.

15 Q. In either instance there was nothing  
16 that was considered of a material nature warranting  
17 contacting either Standard & Poor's or Moody's?

18 A. Correct.

19 MR. DOTTHEIM: Thank you, Mr. Cline.

20 THE WITNESS: You're welcome.

21 JUDGE STEARLEY: All right. If Staff is  
22 through, we are to questions from the Bench.

23 Commissioner Jarrett, any questions for this witness?

24 COMMISSIONER JARRETT: No questions,  
25 thank you.



1 JUDGE STEARLEY: There will be no  
2 reexamination based on questions from the Bench. Any  
3 examination from Great Plains/KCPL?

4 MR. ZOBRIST: No questions, Judge.

5 JUDGE STEARLEY: Very well. Mr. Cline,  
6 you will be excused. I thank you for your testimony.  
7 You will not, however, be finally excused just in  
8 case the Commission should have additional questions  
9 for you in the future. And I believe that is  
10 Mr. Cline's last scheduled appearance?

11 MR. ZOBRIST: Yes, Judge. At this time  
12 I would offer, if it's not been offered previously,  
13 and I don't believe it has, Exhibits 8, 9, 10 and 38  
14 which are both HC and NP versions.

15 JUDGE STEARLEY: Are there any  
16 objections to the offerings of Exhibits 8, 9, 10 and  
17 38?

18 MR. MILLS: I have objections to the  
19 admission of Exhibit 38, and it deals primarily with  
20 the exhibits to Exhibit 38. During my questioning of  
21 Mr. Cline with respect to Exhibit 18, and -- and as  
22 he testified, Exhibit 19 is very similar, so by -- by  
23 reflection, Exhibit 19, it became clear that  
24 Mr. Cline had not prepared much of these documents  
25 and was not familiar with much of the information in

1     them. And so I don't believe that an adequate  
2     foundation has been laid for their admissibility.

3                     In addition to Exhibit 18 and 19, I also  
4     object to the portion of his testimony on page 4  
5     beginning at the end of line 18 and continuing to the  
6     end of that page where he talks about what's  
7     contained in those exhibits.

8                     MR. WOODSMALL: I would support that  
9     exhibit -- I mean I would support that objection. I  
10    believe that, unlike any opinion evidence, this is  
11    being offered for fact. The schedules MWC-18 and -19  
12    are being offered for fact, and he was unable to  
13    answer many questions posed by Mr. Mills as to those  
14    facts. For that reason, I would support Mr. Mills'  
15    objection.

16                    JUDGE STEARLEY: All right.  
17    Mr. Zobrist?

18                    MR. ZOBRIST: Your Honor, these were not  
19    offered as facts per se, they were offered as  
20    evidence of the materials that were presented to  
21    Standard & Poor's and Moody's. Mr. Cline actually  
22    did respond to a number of questions knowledgeably.

23                    He indicated that there were other  
24    pieces of information that either came from other  
25    members of management at Great Plains Energy or

1 Kansas City Power & Light; other data according to  
2 the documents appear to have come from Aquila, but  
3 that these were offered as evidence of what was  
4 presented to these rating agencies and upon which  
5 they base their analysis and subsequently the letters  
6 represented in Exhibit 124 and 125.

7 MR. WOODSMALL: Well, your Honor, I  
8 guess to take off on that, to the extent they form  
9 the basis for S&P's opinion, we need to be permitted  
10 to test that opinion by testing the underlying  
11 assumptions. In this case we can't test those  
12 underlying assumptions on all the assumptions because  
13 he was unable to answer those questions.

14 MR. ZOBRIST: Well, Judge, what I would  
15 say is this -- this is evidence of material that was  
16 submitted to S&P. Mr. Cline -- and I would be glad  
17 to re-call him to the stand -- you know, testified  
18 that this is the type of information that credit  
19 agencies rely upon. I believe that's what his  
20 prefiled testimony indicates.

21 And the fact that someone in his  
22 position cannot, you know, identify each and every  
23 line on an Excel spreadsheet, you know, should not  
24 prevent them from coming into evidence.

25 And indeed, if he is unable to explain,

1   you know, one particular line, that certainly goes to  
2   credibility and to the weight, but it doesn't go to  
3   the admissibility of the evidence.

4                   MR. MILLS:  And if I may, Judge, if it  
5   was one particular line or one particular number, I  
6   may have a different impression, but there were page  
7   after page and line after line that Mr. Cline could  
8   not attest to the accuracy of.  And so regardless of,  
9   you know, what -- what Mr. Zobrist thinks is in the  
10  testimony about this being the kind of thing that  
11  Standard & Poor's relies on, I don't believe that  
12  that -- that there is any such representation in this  
13  testimony.

14                   So the only way we have of judging the  
15  accuracy is by talking to the witness who sponsored  
16  the testimony, and he could not attest to the  
17  accuracy.  He could not even attest to his -- to the  
18  fact that he understood some of the material.

19                   So -- and, in fact, there were some  
20  numbers that he testified were inconsistent  
21  throughout the document and he was unable to say  
22  which were -- which were accurate and which were  
23  inaccurate.  So I really don't think there's any  
24  adequate foundation for this to be admitted into the  
25  record.

1 JUDGE STEARLEY: All right. Prior to me  
2 addressing that specifically, let me ask if there are  
3 objections to 8, 9 and 10 as well because I didn't  
4 hear any objections voiced on those.

5 MR. WOODSMALL: Well, I'll jump in. I  
6 know Mr. Conrad's standard objection here is that he  
7 wants to renew the Motion in Limine that he has  
8 previously filed. So with regard to Exhibit 8, I  
9 would point your Honor to his first Motion in Limine,  
10 page 4, and would renew that objection.

11 JUDGE STEARLEY: Okay. 9 or 10,  
12 Exhibits 9 or 10?

13 MR. WOODSMALL: I don't believe we had  
14 anything on that; however, to the extent that it is  
15 contained in those Motions in Limine, I would renew  
16 that objection.

17 JUDGE STEARLEY: Okay. Exhibits No. 8,  
18 9 and 10 will be received into evidence.

19 (EXHIBIT NOS. 8, 9 AND 10, HC AND NP,  
20 WERE RECEIVED INTO EVIDENCE AND MADE A PART OF THE  
21 RECORD.)

22 JUDGE STEARLEY: Mr. Conrad's standard  
23 objection will be, as we have done consistently with  
24 our rulings in the past, overruled.

25 MR. WOODSMALL: Thank you.

1 JUDGE STEARLEY: Now, moving to  
2 Exhibit 38, Mr. Zobrist, if you'd like to call  
3 Mr. Cline back to lay some additional foundation, I'd  
4 suggest we do this now and I can retake up the  
5 objection afterwards.

6 MR. ZOBRIST: Great, I'd be glad to.  
7 Great Plains Energy will re-call Mr. Cline to the  
8 stand.

9 MR. MILLS: Judge, will this be in the  
10 form of additional direct testimony, and if so, will  
11 I be offered the opportunity for -- for  
12 cross-examination after -- after direct examination?

13 JUDGE STEARLEY: I will give you the  
14 opportunity to cross, Mr. Mills.

15 MR. MILLS: All right. Typically, you  
16 know, once -- once a witness has filed in this case I  
17 believe two or three rounds of direct testimony, it  
18 kind of gives them a fourth bite at the apple here  
19 to --

20 MR. ZOBRIST: Judge, maybe I can --

21 MR. MILLS: -- lay additional  
22 foundation. I mean, this will be his -- counting the  
23 prefiled testimony which there were two or three  
24 rounds, this will be his fourth opportunity or  
25 perhaps fifth for direct testimony. And that, to me,

1 seems a little bit unfair, that if he hasn't been  
2 able to do it in four tries, that he gets -- that he  
3 gets to do it again.

4 JUDGE STEARLEY: Mr. Zobrist?

5 MR. ZOBRIST: Judge, if I may, perhaps I  
6 can cure the problem by asking leave of the  
7 Commission to conduct a short bit of redirect  
8 examination only on these issues that Mr. Mills  
9 raised, not going into the other issues that the  
10 other counsel raised. I --

11 MR. MILLS: Judge -- Judge, you offered  
12 Mr. Zobrist the opportunity for redirect examination  
13 and he -- and he turned it down, so I think it's a  
14 little late to say, oh, my gosh, I forgot something,  
15 I better do it now.

16 MR. WOODSMALL: In which case I have  
17 some other cross-examination that I'd like leave to  
18 conduct as well. This could never end. He's past  
19 his chance.

20 JUDGE STEARLEY: Well, I'm going to  
21 allow the examination, and you will have your  
22 opportunity at cross again. And you may proceed,  
23 Mr. Zobrist.

24 MR. ZOBRIST: Okay. Thank you, Judge.

25 REDIRECT EXAMINATION BY MR. ZOBRIST:

1           Q.       Mr. Cline, have you presented materials  
2     to Standard & Poor's similar to schedules 18 and 19  
3     in the past?

4           A.       Yes, many times.

5           Q.       And would you give the Commission a  
6     little background on what the process is that you  
7     followed in having schedules 18 and 19 of your  
8     additional supplemental direct prepared?

9           A.       The -- the preparation of projections  
10    involves parties from all over a company. I mean,  
11    financial projections are the sum total of input  
12    from -- in the case of a utility, you have  
13    generation, you have transmission distribution, you  
14    have regulatory assumptions, you have a myriad of  
15    different areas that are responsible for providing  
16    input.

17                   And as the primary individual  
18    responsible for the rating agency relationship, my  
19    role is to pull all that together into, you know, a  
20    comprehensive package which the agencies can then  
21    review. I never and have never in 12 years of  
22    dealing with rating agencies purported to be an  
23    expert on particular line items in a document.

24                   There are certain items that I'm very  
25    familiar with; you know, capital structure,



9 I did not see a need to challenge the --  
10 the assumptions and the -- and the inputs that they  
11 prepared. And I would go on to say that the rating  
12 agencies have their own ability based on their  
13 experience with dealing with companies like us to --  
14 to assess the validity of inputs. They don't simply  
15 take the -- the projections or the numbers that we  
16 provide at face value.

25 Q. Mr. Cline, in your experience, do

1 employees of Great Plains Energy and KCPL who provide  
2 you this information have an understanding as to what  
3 their obligation is to you in providing this  
4 information?

5 MR. WOODSMALL: I object, your Honor,  
6 speculation. He's being asked to read the mind of  
7 other individuals at GPE and KCP&L.

8 JUDGE STEARLEY: Mr. Zobrist?

9 MR. ZOBRIST: Well, I'm not sure that  
10 that's what I asked, but if I did, I'll rephrase the  
11 question.

12 BY MR. ZOBRIST:

13 Q. Do these individuals understand that  
14 they have an obligation to provide you with true and  
15 accurate information?

16 MR. WOODSMALL: I renew the objection.  
17 How is he to know what these other individuals  
18 understand?

19 JUDGE STEARLEY: Mr. Zobrist, do you  
20 want to try one more rephrasing?

21 BY MR. ZOBRIST:

22 Q. Okay. In the course of collecting this  
23 information, do these -- do you understand that  
24 accurate and fair and truthful information is being  
25 provided to you in the course of these other

1 employees' responsibilities?

2           A.       I do, and if I have a basis to  
3 challenge, I will challenge. But in many cases, I  
4 must rely on those individuals, and I believe that  
5 they understand that.

6                   MR. ZOBRIST: Judge, I don't have any  
7 further questions.

8                   JUDGE STEARLEY: All right. Mr. Mills,  
9 you may inquire further if you wish.

10                  MR. MILLS: I don't need to inquire of  
11 this witness. I -- I -- I would renew my objection  
12 and I would state that I don't believe that this has  
13 laid any additional foundation for this witness's  
14 ability to attest to the accuracy of the document.

15                  All he has said is that this is a  
16 routine procedure to submit this kind of information  
17 to Standard & Poor's, but simply because it's a  
18 routine procedure to submit to Standard & Poor's does  
19 not lay an evidentiary foundation for it in a  
20 contested case. Standard & Poor's may very well have  
21 its own parameters and rationale and -- and -- and  
22 procedures for challenging or looking at this  
23 information, but that's not relevant here.

24                  What's relevant here is whether this  
25 witness who is sponsoring this testimony can say I

1 know what this means, I know it's accurate, and he  
2 has demonstrated that he cannot on many of the  
3 questions I asked him.

4                   So I don't -- I don't -- I don't think  
5 either the witness's prefiled testimony nor his  
6 cross-examination nor this little bit of direct  
7 examination has done anything to cure the fact that  
8 this witness did not prepare the document, doesn't  
9 understand some of the terms, doesn't understand some  
10 of the figures and cannot attest to the  
11 reasonableness or accuracy of some of the information  
12 therein.

13                   MR. WOODSMALL: Your Honor, I agree with  
14 Mr. Mills, and I would add that this little bit of  
15 redirect now raises the question as to -- as to the  
16 relevance of all this. As Mr. Cline indicated, these  
17 entities are capable of doing their own analysis, of  
18 providing their own assumptions. Therefore, we have  
19 no idea whether these are even the assumptions  
20 underlying their opinions.

21                   So if -- if they've done their own  
22 analysis, if they've done their own critical analysis  
23 of the assumptions, how do we know what the relevance  
24 of these documents are? So I would now question them  
25 on the basis of relevance.

1 JUDGE STEARLEY: All right. Did you  
2 have any other inquiry of Mr. Cline?

3 MR. WOODSMALL: Yes, very briefly.

4 RECROSS-EXAMINATION BY MR. WOODSMALL:

5 Q. Mr. Cline, have you -- have you ever  
6 worked for S&P?

7 A. No.

8 Q. Have you ever provided in a professional  
9 capacity a credit rating of another company's debt?

10 A. No.

11 Q. Have you ever worked for Moody's?

12 A. No.

13 Q. Have you ever done -- in any capacity  
14 for any company provided a credit rating of another  
15 company's debt?

16 A. No.

17 MR. WOODSMALL: Thank you.

18 JUDGE STEARLEY: All right.

19 Commissioner Clayton or Jarrett, do you have any  
20 questions for this witness on this issue before I  
21 release him?

22 COMMISSIONER JARRETT: No questions.

23 COMMISSIONER CLAYTON: Yeah, no  
24 questions.

25 MR. WOODSMALL: Your Honor, are you

1 ruling just on Mr. Mills' objection now or as to the  
2 admissibility? Because now I have another objection.

3 JUDGE STEARLEY: I'm going to allow  
4 Mr. Cline to get off the stand. If you have  
5 additional objections, I'll be happy to hear them.  
6 Thank you, Mr. Cline.

7 And if you'd like to state the basis of  
8 your next objection.

9 MR. WOODSMALL: Okay. Well, we have  
10 Mr. Mills' first objection, my objection on the basis  
11 of relevance. Now I would object to Mr. Cline's --  
12 the highly confidential portion of Mr. Cline's  
13 testimony at page 4 in which he states what S&P and  
14 Moody's have indicated. That is classic hearsay.

15 MR. ZOBRIST: But, Judge, that's already  
16 in evidence as Exhibits 124 and 125, so it's already  
17 into evidence.

18 JUDGE STEARLEY: I would agree -- I  
19 would agree with you on that, Mr. Zobrist. Did you  
20 want to address the other objections further before I  
21 rule?

22 MR. ZOBRIST: No. I think that  
23 Mr. Cline -- well, yes, yes. Yes, I do, briefly. I  
24 think that Mr. Cline has indicated that this is part  
25 of a standard process and that exhibits -- pardon me,

4                   And if either Mr. Mills or Mr. Woodsmall  
5    had wanted to inquire into this during the discovery  
6    period, they would have been free to. But I think  
7    that he has laid a sufficient foundation for this to  
8    be admitted into evidence with judgments to be made  
9    by the Commission on the weight or credibility to be  
10   given to any lines or matters that Mr. Cline may not  
11   be specifically familiar with.

15 (EXHIBIT NO. 38HC AND NP WAS RECEIVED  
16 INTO EVIDENCE AND MADE A PART OF THE RECORD.)

21 MR. WOODSMALL: Your Honor, would --  
22 just for clarification, was that a ruling on just  
23 Mr. Mills' objection or what about my relevancy  
24 objection?

1 well.

2 MR. WOODSMALL: Thank you.

3 MR. ZOBRIST: Judge, we're prepared to  
4 go -- to offer Mr. Easley to Staff at this time as  
5 well.

6 JUDGE STEARLEY: And I wanted to inquire  
7 briefly if the parties have any idea to the extent  
8 his examination will go this evening before we put  
9 him on the stand.

10 MR. DOTTHEIM: We had not discussed  
11 putting Mr. Easley on the stand.

12 JUDGE STEARLEY: Okay.

13 MR. ZOBRIST: At all or you mean today?

14 MR. DOTTHEIM: Today.

15 MR. ZOBRIST: Well, unless we're going  
16 to stop early, he's in -- you know, he's available.

17 JUDGE STEARLEY: All right. Let's go  
18 ahead and start Mr. Easley's testimony and we'll see  
19 how things run this evening. Is there any person  
20 that needs to make arrangements if we should run late  
21 this evening?

22 MR. MILLS: Judge, I --

23 JUDGE STEARLEY: The reason I was  
24 asking --

25 MR. MILLS: -- I don't -- I don't -- I



1 don't --

2 JUDGE STEARLEY: -- I can -- I can keep  
3 you-all here till midnight, fine with me.

4 MR. MILLS: I don't need to make any  
5 arrangements, but I had not anticipated getting to  
6 Mr. Easley today and I'm not prepared to go forward  
7 with Mr. Easley.

8 MR. WOODSMALL: I would echo that  
9 sentiment.

10 MR. MILLS: I don't know -- I -- in the  
11 interest of full disclosure, I don't know that I have  
12 questions for Mr. Easley in any event, but I have not  
13 even at this point determined whether or not I will  
14 have questions for Mr. Easley.

15 MR. DOTTHEIM: And, Judge, we have  
16 questions for Mr. Easley, but we talked about what  
17 witnesses we'd take today, and we did not talk about  
18 Mr. Easley. Certainly, we -- we talked about an  
19 order of witnesses.

20 MR. ZOBRIST: Well, Judge, on -- I'm  
21 sorry.

22 MR. DOTTHEIM: We talked about going  
23 through Mr. Cline today.

24 MR. ZOBRIST: Well, I didn't -- and I  
25 apologize to Mr. Dottheim, but I don't remember

1 anyone asking me whether we were going to stop with  
2 Mr. Cline. I knew we were going to Mr. Cline, and  
3 after Mr. Cline was Mr. Easley, and we also have  
4 Mr. Davis and Mr. Foster. And they're here, they  
5 arrived yesterday. I mean ...

6 MR. DOTTHEIM: Judge, we had also  
7 offered to take Mr. Zabors since he was here. We had  
8 offered to take him yesterday since he was here, and  
9 he's a consultant from out of town. And we were told  
10 that, no, the company didn't want to take him -- take  
11 him, they wanted to take him last, that they would  
12 just as soon have him wait.

13 So we were prepared to take Mr. Zabors  
14 even yesterday and were told that -- that that would  
15 not be acceptable. Now, if --

16 JUDGE STEARLEY: All right. Well,  
17 let -- let me inquire of the parties of this: Will  
18 the parties be ready to hear the remaining witnesses  
19 for this creditworthiness issue tomorrow, all of the  
20 remaining witnesses?

21 MR. ZOBRIST: Yes, on behalf of Great  
22 Plains Energy and Kansas City Power & Light.

23 MR. MILLS: Yes.

24 JUDGE STEARLEY: Okay. And I'm not sure  
25 where we would be at in terms of time with regard to

1 Mr. Zabors at that point. And let me also ask while  
2 I'm -- we're doing -- shifted the scheduling matters  
3 here. Mr. Dottheim, with regard to the offer of  
4 proof on the additional amortization, have you  
5 selected witnesses for that at this point or --

6 MR. DOTTHEIM: Judge, the Staff does not  
7 make offers of proof.

8 MR. WOODSMALL: To take the burden off  
9 Mr. Dottheim because he's unable to appeal the  
10 Commission, it's likely that we will be appealing on  
11 that point. And no, we have not picked out  
12 witnesses. I would anticipate hoping to talk to  
13 Mr. Dottheim and perhaps Mr. Zobrist this afternoon.

14 JUDGE STEARLEY: Okay. Is that -- is  
15 that information you can provide the Commission with  
16 by no later than tomorrow?

17 MR. WOODSMALL: When we commence the  
18 hearing?

19 JUDGE STEARLEY: Yes.

20 MR. WOODSMALL: Yes, I imagine I could  
21 do that.

22 JUDGE STEARLEY: All right.

23 MR. DOTTHEIM: And, Judge, I -- I don't  
24 think I -- maybe by being silent -- I should have  
25 spoken up, but I never meant to indicate -- when

1 others were speaking of offers of proof, I don't  
2 think that I at any point ever indicated that the  
3 Staff would be making an offer of proof.

4 JUDGE STEARLEY: That's fine,  
5 Mr. Dottheim. I -- I was trying to get to the  
6 scheduling issues here, and I directed them towards  
7 you.

8 MR. WOODSMALL: If he wants to help me  
9 with it, though, I'll take the help.

10 JUDGE STEARLEY: All right. Well, I do  
11 want the parties to have the opportunity to be  
12 prepared for the witness examination tomorrow, so I  
13 don't want to proceed if I'm hearing from multiple  
14 parties that they're not prepared to hear Mr. Easley  
15 today.

16 MR. ZOBRIST: Well -- and I was going to  
17 say, if this is not agreeable to Staff, that's fine,  
18 but I'm certainly willing if the Commission is to  
19 take, you know, a ten- or 15-minute break if it's  
20 just a matter of getting exhibits together to just  
21 get Mr. Easley off the stand if that's not --

22 MR. DOTTHEIM: Or maybe --

23 MR. ZOBRIST: Pardon me?

24 MR. DOTTHEIM: I'm sorry. Or maybe if  
25 Mr. Zabors is available, maybe we could take

1 Mr. Zabors.

2 JUDGE STEARLEY: Well --

3 MR. ZOBRIST: I'm not sure he's in the  
4 hearing room, but ...

5 JUDGE STEARLEY: Would the parties like  
6 me to give them a ten-minute break and you can slug  
7 this out?

8 MR. ZOBRIST: All right. That would be  
9 fine. Maybe we can and maybe we can't, so ...

10 JUDGE STEARLEY: All right. We'll just  
11 go in recess for ten minutes and we'll come back and  
12 make some plans here.

13 (A RECESS WAS TAKEN.)

14 JUDGE STEARLEY: All right. Well, let  
15 me inquire, then, how we're going to proceed today  
16 and tomorrow with our order of witnesses.

17 MR. ZOBRIST: I think the parties have  
18 agreed that we will close for business today. We  
19 will begin tomorrow morning with the following Great  
20 Plains Energy/KCPL witnesses: Mr. Easley, Mr. Davis  
21 and Mr. Foster.

22 And then I understand we're going to  
23 proceed at Staff's request with Aquila witnesses,  
24 Mr. Rose and Mr. Sherman. And then at that point we  
25 may go with either Mr. Trippensee or

1 Mr. Schallenberg -- yeah, although I understand  
2 Mr. Zabors is last when we get through the  
3 creditworthiness.

4 JUDGE STEARLEY: All right. So by my  
5 count, we have eight witnesses for tomorrow. We're  
6 going to do Easley, Davis, Foster, Rose, Sherman  
7 Schallenberg, Trippensee, Zabors.

8 MR. WOODSMALL: And then, your Honor,  
9 getting to your question from earlier, I've consulted  
10 with other counsel, and I believe that as regards to  
11 the amortization offer of proof, the most witnesses  
12 that I would call would be three. That would be  
13 Schallenberg, Trippensee and Cline. I am going to  
14 review it some more and -- and see if I need all  
15 three. In any situation, I don't see that offer of  
16 proof being lengthy.

17 JUDGE STEARLEY: All right. Very good.  
18 Well, with that schedule in mind and the possibility  
19 we may run late tomorrow, we'll see how we are going  
20 time-wise and kind of figure it out from there. We  
21 may spill a little over into Thursday, then, if need  
22 be.

23 And with that, are there any other  
24 matters we need to take up before we adjourn tonight?

25 COMMISSIONER CLAYTON: I do, Judge.

1 JUDGE STEARLEY: Commissioner Clayton.

2 COMMISSIONER CLAYTON: I had a couple of  
3 questions that I need clarification on. There have  
4 been some evidentiary rulings that have been made and  
5 there's been discussion about offers of proof, and  
6 Staff has made some statements about Staff doesn't  
7 make an order [sic] of proof. I was wondering if  
8 maybe Mr. Dottheim could clarify that.

9 And then the second question that I have  
10 for any of the parties is, we have an agenda, it's  
11 the only agenda meeting that we have this week, and  
12 if there are going to be requests for reconsideration  
13 of some of the judge's rulings, should we anticipate  
14 that those will be up for discussion on the agenda  
15 tomorrow?

16 And I guess I'm asking this for  
17 clarification in preparation of tomorrow. If the --  
18 if the answer is no, there aren't -- there aren't  
19 going to be any requests for reconsideration, then  
20 that's -- that's the case. But I didn't understand  
21 Mr. Dottheim stating that you weren't going to make  
22 any offers of proof or some --

23 MR. DOTTHEIM: Yeah, on the basis that  
24 the Staff has no right to review -- to seek review of  
25 Commission orders, I do not, in my approximate 30

1 years recall the Staff making an offer of proof.

2 COMMISSIONER CLAYTON: Has the Staff  
3 ever requested reconsideration of a -- of a -- of a  
4 ruling by the regulatory law judge?

5 MR. DOTTHEIM: I, once, when -- when  
6 Mr. Woodsmall was on the Staff, asked him to have the  
7 Commissioners polled on a ruling from the Bench in an  
8 infamous situation, what became an infamous  
9 situation, and I think that's possibly the closest  
10 that that might have come to an offer of proof. That  
11 may have occurred, I'm just not -- I'm just not aware  
12 of it. You asked for -- for a motion for  
13 reconsideration?

14 COMMISSIONER CLAYTON: I didn't ask for  
15 a motion. I'm just --

16 MR. DOTTHEIM: I understand, and I'm not  
17 contemplating one. I don't -- I don't recall on an  
18 evidentiary ruling a -- the Staff filing a -- a  
19 motion for -- for reconsideration unless, frankly,  
20 it's been invited.

21 I recall situations where the Staff  
22 hasn't filed a motion for reconsideration, and the --  
23 and the Commission has ordered subsequently the Staff  
24 to respond evidently in situations where either the  
25 Commission was expecting the Staff to respond or



1     wanted the Staff to respond.

2                     But the -- and those have been -- again,  
3     that's further indication that the -- that the Staff  
4     has taken a very restrictive view of the situation,  
5     again, on the basis that since the Staff doesn't have  
6     the right -- a right to seek -- to seek a review, the  
7     Staff doesn't make offers of proof.

8                     COMMISSIONER CLAYTON: I understand what  
9     you're saying. If that's the case, that's the case.  
10    Is anyone else going to seek reconsideration of any  
11    of those rulings?

12                    MR. WOODSMALL: I don't immediately  
13    anticipate seeking it, so as far as your question for  
14    tomorrow's agenda, I wouldn't expect to see something  
15    by then. I've been chastised in the past for doing  
16    that in the context of a case and been told that  
17    those type motions should come at the end of the case  
18    with the typical motion for application for  
19    rehearing. So I'm kind of caught in a dilemma as to  
20    whether I do one now or do it at the end of the case,  
21    but in either situation, you won't see it by  
22    tomorrow.

23                    MR. MILLS: And certainly, that's my  
24    intention. I think -- and I haven't reviewed the  
25    transcript, but it's very likely that I will raise

1     that as an issue with an application for rehearing.  
2     But I don't plan to file anything between now and  
3     tomorrow.

4                   COMMISSIONER CLAYTON:   Well, the reason  
5     I ask is, is that there are a significant number of  
6     witnesses, significant number of issues, and frankly,  
7     the Commission hasn't officially chimed in on -- on  
8     the particular issues.  And that's -- that's just --  
9     if that's the case to be left with -- and this is  
10    nothing to take away from the judge's rulings.  I  
11    don't want to suggest that --

12                  MR. WOODSMALL:   Well, maybe it's --

13                  COMMISSIONER CLAYTON:  -- anything's  
14    wrong, I'm just -- I was just asking.

15                  And if there's nothing for us to do  
16    tomorrow, there is a placeholder that's on the  
17    agenda.  And if there's nothing for us to do, then  
18    there's nothing for us to do.  I don't have a --  
19    that's fine.  I just wanted to be clear in -- in what  
20    parties are going to be asking with all the  
21    objections that have been raised, that's -- that's  
22    all.

23                  MR. WOODSMALL:   Well -- and a question  
24    directed at the judge, then, just for point of  
25    clarification.  On Friday, I believe it was, when he

1     made his ruling, I heard him say the Commission  
2     rules, the Commission rules, instead of I rule.

3                     So I was under the impression that when  
4     he was making that ruling, that it was a ruling from  
5     the Commission. And maybe I'm misinformed. To the  
6     extent that was a ruling from the law judge, then it  
7     raises this issue all the more.

8                     MR. ZOBRIST: Well, I just think -- let  
9     me just say this. I think when the regulatory law  
10    judge rules, you know, he or she rules for the  
11    Commission in the absence of a polling, so that's how  
12    I took the judge's comments.

13                    MR. DOTTHEIM: Commissioner -- I'm  
14    sorry. I didn't mean to interrupt.

15                    MR. ZOBRIST: No, I'm finished.

16                    MR. DOTTHEIM: Your question to me, I  
17    shouldn't limit it. I think it also goes to the  
18    question that has been raised on any number of  
19    questions -- on any number of occasions as to the  
20    position of the Staff and also even the position of  
21    the General Counsel's office as to representing the  
22    Staff and then representing the Commission on review  
23    and -- and that dichotomy and the blurring of -- of  
24    those roles. So I think it's wrapped up in that  
25    also.

1                   I think, if my memory serves me  
2   correctly, that the Commission's rules at one time,  
3   in fact, the time I asked or instructed  
4   Mr. Woodsmall -- Woodsmall to ask that the  
5   Commissioners be polled, that that was actually in  
6   the Commissioner's -- in the Commission's rules, and  
7   is a provision for asking that the presiding judge  
8   poll the Commissioners. It is not in the  
9   Commission's rules any longer. So ...

10                   COMMISSIONER CLAYTON: Well, let me ask  
11   the judge this question. Judge, when you ruled and  
12   you said the Commission orders, did you suggest to  
13   the parties that -- that you had polled the  
14   Commissioners in the case?

15                   JUDGE STEARLEY: I did not suggest that  
16   and no one asked for a poll at that time.

17                   MR. WOODSMALL: So it -- it was the  
18   presiding officer's ruling and not the Commission's  
19   ruling to the extent there is any distinction; is  
20   that correct?

21                   JUDGE STEARLEY: I -- I believe, as  
22   Mr. Zobrist has said, there's no distinction.

23                   MR. WOODSMALL: Well, the distinction  
24   would be if you did poll the Commission, the  
25   Commission can only act through written orders. So

1 to the extent you did poll the Commission, it has to  
2 be in a written order. To the extent you did this  
3 yourself, then it doesn't need to be because it's  
4 been delegated. They can delegate to an individual.  
5 So that may be subject to some contention, but that  
6 would be the argument I make and that would go away  
7 if it's your ruling specifically.

8 MR. FISCHER: Judge, it's always been my  
9 experience that when the -- when the regulatory law  
10 judge rules on evidentiary motions, that's considered  
11 a ruling by the Commission unless if somebody asks  
12 for reconsideration and the Commissioners want to  
13 take it up and direct it be done otherwise.

14 JUDGE STEARLEY: That's my  
15 understanding. And as I believe, I invited the  
16 parties on Thursday to file a motion of -- for  
17 reconsideration if they were so inclined.

18 COMMISSIONER CLAYTON: So, Judge, if a  
19 motion for reconsideration would be considered by the  
20 conclusion of the evidentiary hearing as it is  
21 scheduled now, really, tomorrow would be the only  
22 agenda where that could be taken up. Would you agree  
23 with that?

24 JUDGE STEARLEY: They can -- they can  
25 file a motion for reconsideration at any point.

1     There's really no time limit on that.  In terms of --

2                     COMMISSIONER CLAYTON:  Well,  
3     practically -- practically, though, I mean, if --

4                     JUDGE STEARLEY:  Practically --

5                     COMMISSIONER CLAYTON:  -- if the  
6     evidentiary hearing is adjourned, then you'd have to  
7     reschedule a number of different things.

8                     JUDGE STEARLEY:  Well, actually, there's  
9     other procedural mechanisms that would take care of  
10    that issue as well.

11                    COMMISSIONER CLAYTON:  Okay.

12                    JUDGE STEARLEY:  All right.  Are there  
13    any other matters we need to take up before  
14    adjourning for today?

15                    (NO RESPONSE.)

16                    JUDGE STEARLEY:  Hearing none, we stand  
17    adjourned for today.  We'll reconvene at 8:30  
18    tomorrow morning.

19                    (WHEREUPON, the hearing of this case was  
20    recessed until April 30, 2008, at 8:30 a.m.)

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## 1 I N D E X

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## 3 ISSUE: CREDITWORTHINESS

4

## 5 GREAT PLAINS ENERGY'S EVIDENCE

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7 CHRIS GILES

8 Cross-Examination by Mr. Dottheim 2404

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10 CHRIS GILES (IN-CAMERA)

11 Cross-Examination (Continued) by Mr. Dottheim 2430

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13 CHRIS GILES

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16 Cross-Examination by Mr. Mills 2437

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18 Cross-Examination by Mr. Conrad 2443

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25 WILLIAM DOWNEY

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Cross-Examination by Mr. Mills 2490

27

28 WILLIAM DOWNEY (IN-CAMERA)

29 Cross-Examination (Continued) by Mr. Mills 2492

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31 WILLIAM DOWNEY

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33 Cross-Examination (Continued) by Mr. Mills 2495

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39 MICHAEL CHESSER

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MARKED REC'D

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Exhibit No. 8NP and 8HC

17

Direct testimony

of Michael Cline, both

18

nonproprietary and highly  
confidential

\*

2611

19

Exhibit No. 9

20

Supplemental direct testimony

of Michael Cline, both

21

nonproprietary and highly  
confidential

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2611

22

Exhibit No. 10NP and 10HC

23

Surrebuttal testimony of

Michael Cline, both

24

nonproprietary and highly  
confidential

\*

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25



1	EXHIBITS INDEX (CONTINUED)		
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16	E-mail response from		
17	Mr. Giles to Todd Kobayashi		
18	with several other officers		
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	* Marked for identification in a previous volume.		

## 1 CERTIFICATE OF REPORTER

2 STATE OF MISSOURI )  
3 )ss.  
4 COUNTY OF COLE )  
5

6 I, PAMELA FICK, RMR, RPR, CSR, CCR #447,  
7 within and for the State of Missouri, do hereby  
8 certify that the foregoing proceedings were taken by  
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10 to typewriting under my direction; that I am neither  
11 counsel for, related to, nor employed by any of the  
12 parties to the action to which this hearing was  
13 conducted, and further that I am not a relative or  
14 employee of any attorney or counsel employed by the  
15 parties thereto, nor financially or otherwise  
16 interested in the outcome of the action.

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18  
19  
20 \_\_\_\_\_  
21 PAMELA FICK, RMR, RPR, CSR, CCR #447  
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