

1 STATE OF MISSOURI
PUBLIC SERVICE COMMISSION
2
3 TRANSCRIPT OF PROCEEDINGS
4 Evidentiary Hearing
5 March 12th, 2018
6 Jefferson City, Missouri
7 Volume 2
8
9 In the Matter of Great Plains)
Energy Incorporated for)
10 Approval of its Merger with) File No. EM-2018-0012
Westar Energy, Inc.,)
11)
12)
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14
15 MICHAEL BUSHMANN, Presiding
16 SENIOR REGULATORY LAW JUDGE
17
18 DANIEL Y. HALL, Chairman
19 WILLIAM P. KENNEY,
SCOTT T. RUPP,
20
COMMISSIONERS
21
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1 (The hearing commenced at 9:09 a.m.)

2 MR. BUSHMANN: Good morning. Today is
3 March 12th, 2018. The commission is set at this
4 time for an evidentiary hearing in the matter of the
5 application of Great Plains Energy, Incorporated for
6 approval of its merger with Westar Energy,
7 Incorporated, File No. EM-2018-0012.

8 My name is Michael Bushmann. I'm the
9 regulatory law judge presiding over this hearing.
10 Let's have counsel for the parties make their entry
11 of appearance.

12 For Great Plains Energy.

13 MR. FISCHER: Thank you, Judge.

14 On behalf of Great Plains Energy, Kansas
15 City Power & Light Company, and KCP&L Greater
16 Missouri Operations Company, let the record reflect
17 the appearance of Roger W. Steiner, Karl Zobrist,
18 and James M. Fischer. Our contact information has
19 been provided to the court reporter.

20 MR. BUSHMANN: Westar Energy,
21 Incorporated.

22 MR. BREGMAN: Marvin J. Bregman on behalf
23 of Westar Energy, Inc., and Kansas Gas and Electric
24 Company. We've also provided our contact
25 information to the court reporter.

1 MR. BUSHMANN: Commission staff.

2 MR. THOMPSON: Thank you, Judge.

3 Kevin Thompson for the staff of the Missouri Public
4 Service commission, Post Office Box 360, Jefferson,
5 City, Missouri 65102.

6 MR. BUSHMANN: Office of Public Counsel.

7 MR. WILLIAMS: Thank you, Judge. For the
8 Office of Public Counsel, Hampton Williams and
9 Lera Shemwell. Our contact information has been
10 provided to the court reporter.

11 MR. BUSHMANN: Brightergy, LLC? Any
12 appearance?

13 Missouri Joint Municipal Electric Utility
14 Commission.

15 MS. WHIPPLE: Good morning, Judge. Peggy
16 Whipple for MJMEUC, and my contact information has
17 been provided to the court reporter.

18 MR. BUSHMANN: Just for the record, I'll
19 refer to that acronym throughout the hearing.

20 MS. WHIPPLE: That'll be just fine.

21 MR. BUSHMANN: Missouri Division of
22 Energy.

23 MR. POSTON: Marc Poston appearing for the
24 Missouri Division of Energy.

25 MR. BUSHMANN: Kansas Electric Power

1 Cooperative.

2 MR. SCHULTE: Good morning, Judge. Andrew
3 Schulte on behalf of the Kansas Electric Power
4 Cooperative. I'd also like to enter an appearance
5 for Frank Caro and Susan Henderson-Moore. And I'll
6 make sure that the court reporter has our contact
7 information.

8 MR. BUSHMANN: Thank you.

9 Midwest Energy Consumers Group.

10 MR. WOODSMALL: Good morning, Your Honor.
11 David Woodsmall on behalf of the MECG.

12 MR. BUSHMANN: And Renew Missouri.

13 MR. OPITZ: Good morning, Judge. Tim
14 Opitz on behalf of Renew Missouri.

15 MR. BUSHMANN: The City of Independence,
16 Missouri Industrial Energy Consumers, Sierra Club,
17 Consumers Counsel, Astrum Solar's defense counsel,
18 and the Federal Executive Agencies have all been
19 excused from participating in the hearing.

20 At this time, I'd like to advise all of
21 the people in the audience to please silence your
22 cell phone and your mobile devices.

23 Do the parties have any preliminary
24 matters that need to be taken up at this time?

25 MR. WOODSMALL: Your Honor, just one

1 thing. I assume that -- or I'm guessing that this
2 hearing is going to last several days, and I'd ask
3 to be excused to come and go, if that's okay with
4 you.

5 MR. BUSHMANN: That's no problem, and that
6 would go for any of the parties, Counsel.

7 MR. WOODSMALL: Thank you.

8 MR. BUSHMANN: There were two stipulations
9 and agreements that were filed in the docket of the
10 case, and they were not included as exhibits to any
11 witness' testimony. Are there any objections to the
12 commission taking official notice of the stipulation
13 and agreements that were filed on January 12th, 2018
14 and March 8th, 2018?

15 Hearing none, official notice is taken of
16 those agreements, and they are included in the
17 record of hearing.

18 Also last week I was notified that counsel
19 were waiving cross-examination for several of the
20 witnesses that were scheduled to appear. Witnesses
21 Hardesty, Chriss, and Brosch. Why don't we go ahead
22 and take care of the introduction of their testimony
23 into the record now and get that over with.

24 How about the applicants' witness
25 Hardesty. I believe that was Exhibit 8, if I'm

1 correct.

2 MR. STEINER: Yes, Your Honor. We -- the
3 company moves for admission of the surrebuttal
4 testimony of Melissa Hardesty, which has been
5 premarked as Exhibit 8.

6 MR. BUSHMANN: Any objections to the
7 receipt?

8 Hearing none, that is admitted into the
9 record.

10 And I believe the other two were MECG
11 witnesses.

12 MR. WOODSMALL: Yes, Your Honor. Did you
13 have 400 as Chriss rebuttal?

14 MR. BUSHMANN: I had 400 as Brosch.

15 MR. WOODSMALL: Okay. Your honor, I'd
16 move for the admission of 400, Brash rebuttal, and
17 Exhibit 401, Chriss rebuttal, and I'll give the
18 necessary copy to the court reporter to bring.

19 MR. BUSHMANN: Any objections to the
20 receipt of those testimonies?

21 Hearing none, they are admitted.

22 As far as the rest of the witnesses, we'll
23 follow the order filed by the parties in their joint
24 list of issues and witnesses. My understanding is
25 that witness Kevin Bryant will be appearing by

1 telephone, and Karl Rabago will be testifying on
2 March 14th. Is that still correct?

3 MR. FISCHER: Yes, Judge, as far as I
4 know.

5 MR. BUSHMANN: I think we're ready for
6 opening statements. And the first opening statement
7 would be by applicants.

8 MR. FISCHER: Good morning, Judge. Good
9 morning Mr. Chairmen. Today I am going to be
10 presenting an opening statement on behalf of all of
11 the applicants, Great Plains Energy, Incorporated,
12 Kansas City Power & Light Company, GMO as well as
13 Westar Energy. And I'm just going to refer them as
14 "the applicants."

15 Over 600,000 of the applicants' customers
16 are located here in Missouri, with just under
17 1 million customers located in Kansas. The amended
18 merger agreement between the applicants has
19 substantial differences from the initial transaction
20 that was the subject of hearings back in April of
21 2017. The differences between the initial
22 transaction and the current merger proposal, which
23 I'm going to describe momentarily, eliminate the
24 regulatory and the financial concerns that were
25 raised regarding the initial transaction.

1 The applicants have entered into
2 negotiations with the parties in this case and have
3 filed, as you mentioned, two stipulations and
4 agreements, which together, if approved by the
5 commission, would resolve all of the issues in this
6 case among the signatory parties.

7 On January 12th of 2018, the applicants,
8 the staff of the commission, Brightergy, LLC, and
9 MJMEUC filed a stipulation which took care of the
10 issues among those parties. And then on March 8th,
11 just Thursday of last week, we filed a second
12 stipulation with the Office of the Public Counsel
13 and the Midwest Energy Consumers Group that took
14 care of issues related to those parties. The
15 Department of Economic Development, the Division of
16 Energy is a non-objecting party to that stipulation.
17 And then the parties to the first stipulation we
18 filed in January have also signed on as signatories
19 to the second stipulation.

20 So as I mentioned, these stipulations, if
21 they're approved by the commission, would resolve
22 all issues which need to be addressed in this
23 proceeding among the signatory parties.

24 As I'm going to discuss in a few minutes,
25 Renew Missouri and KEPCo are not signatories to the

1 stipulations, and they are raising matters which are
2 beyond the scope of the application and do not need
3 to be addressed by the commission to find that the
4 merger is not detrimental to the public interest.

5 Now, before I discuss those matters, I'd
6 like to provide a little additional information and
7 background to the commission. The following
8 specific actions in the current merger proposal
9 distinguish it from the initial transaction --

10 MR. HALL: Excuse me. Do you have a hard
11 copy of that?

12 MR. FISCHER: You know, I probably do.

13 MR. HALL: I always find that helpful.

14 MR. FISCHER: Okay.

15 I may not. I could provide those to you
16 as we go along, if -- tell you what, I've got one
17 that's a little small, but if that'll do ...

18 MR. HALL: If you don't need it.

19 MR. FISCHER: I can get by without that.

20 MR. HALL: All right. Thank you.

21 MR. FISCHER: Okay. Looking at the slide,
22 I'd like to compare the merger proposal with the
23 initial transaction. First, unlike the initial
24 transaction, which called for GPE to acquire Westar
25 stock at a \$4.9 billion market premium, the amended

1 merger agreement proposes a stock-for-stock merger
2 of equals, in which neither company would be paying
3 or receiving a premium with respect to the other
4 company. As a result, there will be no transaction
5 debt incurred by GPE and no exchange of cash. In
6 other words, it will not be necessary to issue debt
7 to effect the proposed merger. And this is much
8 different, of course, than the initial transaction,
9 which would have required over \$4 billion worth of
10 merger debt.

11 Because the new holding company will not
12 need to issue transaction debt, the equity ratio
13 will be higher than it would have been under the
14 initial transaction. Instead of having an equity
15 ratio of 41 percent under the initial transaction,
16 the holding company is expected to have a higher
17 than typical equity ratio upon closing, which would
18 be, then, rebalanced to a more balanced capital
19 structure within two years following the closing of
20 the merger.

21 Now, after the rebalancing the equity
22 ratio of the new holding company's consolidated
23 capital structure, it's expected to be balanced with
24 an equal amount of debt in equity. This change in
25 the structure of the agreement to a merger of equals

1 addresses all major concerns raised by the initial
2 transaction, and it will result in credit metrics
3 with the combined company consistent with, and in
4 some instances, better than those of the applicants
5 prior to the merger. The credit metrics for KCP&L,
6 GMO, and Westar will not be affected by the merger
7 and will remain at premerger levels. But I might
8 note that the operating utilities have already been
9 accredited from Standard & Poor's more favorable
10 outlook assessment after the initial transaction was
11 modified.

12 Second, the applicants have made a firm
13 commitment not to request rate recovery of merger
14 goodwill from utility customers. Even though there
15 is no market premium in this proposed merger, from
16 an accounting perspective, there will be goodwill
17 recorded on the books of the holding company, but it
18 is a noncash accounting book entry only and will
19 never be reflected in the rates of the operating
20 utilities.

21 Now, third, in the time that's passed
22 since the initial transaction was proposed, the
23 applicants have completed extensive work to confirm
24 their earlier estimates of merger savings through
25 the development of definitive integration plans.

1 The applicants have identified net merger savings of
2 more than \$550 million in the first five years of
3 the merger. The detailed integration plans reflect
4 total company net cost savings of 28 million in 2018
5 and growing to \$160 million per year from 2022 and
6 beyond. These savings will be achieved with no
7 involuntary severances of employees. Additionally,
8 though the -- effecting the merger has required
9 substantial transaction cost. The applicants have
10 agreed not to seek the recovery of any of those
11 transaction costs in rates.

12 And, fourth, applicants are proposing
13 up-front bill credits for electric retail customers.
14 Previously, under the initial transaction, no
15 up-front bill credits were proposed. Under the
16 stipulations with the various parties in this case,
17 the up-front bill credits will be over \$29 million
18 to be provided to KCP&L and GMO's Missouri customers
19 within 120 days of the closing, as is elaborated on
20 in the stipulations.

21 Due to the requirements of the fuel
22 adjustment clause statute here in Missouri, KCP&L
23 and GMO will be required to file rate reviews no
24 later than 37 months after the conclusion of the
25 pending 2018 rate cases. And that will ensure that

1 customers will receive the growing merger savings in
2 determining the future rates. I think this is an
3 important point to know.

4 The combination of GPE and Westar is
5 important to the state of Missouri, and I've put on
6 the slide the footprint of the combined companies
7 after the merger closes. The outcome of this case
8 will have many significant and long-term
9 implications. It will determine whether local
10 control of the electric utility services is an
11 important priority, it will impact community and
12 charitable contributions and commitments to more
13 than 4,000 organizations who have partnerships with
14 KCP&L and Westar and the people and the communities
15 that they serve. It'll determine the long-term
16 viability of maintaining major headquarters in the
17 region, it will determine whether more than
18 \$550 million of the net merger savings are generated
19 over the next five years to keep electric rates
20 competitive in Missouri. It will affect the futures
21 of more than 5,000 people directly employed by KCP&L
22 and Westar, as well as thousands of others who work
23 at companies who supply the operating utilities.

24 Now, the question before the commission in
25 this proceeding is, Will the merger be detrimental

1 to the Missouri customers of KCP&L and GMO? The
2 merger will not be detrimental to customers in
3 Missouri or the Missouri public interest. In fact,
4 the merger will benefit Missouri customers and the
5 broader general interest -- public interest in
6 Missouri. This will be proven by the testimony that
7 we have filed in the case and the facts we're going
8 to be presenting over the next several days. It's
9 also supported by the stipulations and the
10 agreements between the applicants, the staff, the
11 public counsel, MJMEUC, Brightergy, and MECG.

12 As we've explained in the first proceeding
13 related to the initial transaction, the combination
14 of Great Plains and Westar continues to be a
15 tremendous opportunity for all stakeholders. Westar
16 and KCP&L have collaborated for decades to better
17 meet the needs of our customers. We jointly own and
18 operate Wolf Creek, La Cygne, and the Jeffrey
19 generating stations. We share hundreds of miles of
20 adjacent electric systems. We both dispatch our
21 generation into the southwest power pool, and we
22 look to each other for help in major storms. This
23 transaction culminates decades of interest and
24 multiple prior attempts to combine these two
25 companies. Both companies are aligned and working

1 together towards this common objective, making the
2 obtainment of this now a better proposition than in
3 years gone by in the past.

4 This combination presents a unique
5 opportunity to achieve significant savings, allowing
6 customers to benefit from future rates that will be
7 lower than they would have been without the
8 transaction. This transaction presents the best
9 opportunity to slow the pace of rate increases by
10 unlocking significant savings for GMO and for KCP&L
11 customers. For these and many other reasons listed
12 in our testimony, the combination of GPE and Westar
13 presents a rare and tremendous opportunity to bring
14 long-term value to customers, the state of Missouri,
15 as well as shareholders.

16 In fact, we've put forward a regulatory
17 proposal for the merger as conditioned by the
18 stipulations that we filed that is simple and
19 straightforward and is stakeholder-friendly. It
20 provides long-term benefits to customers, and those
21 key elements are a \$29 million up-front bill credit
22 to be applied to Missouri customers within 120 days
23 of closing. The applicants are providing those bill
24 credits prior to achieving a corresponding amount of
25 savings, and they are a separate and an additional

1 benefit the applicants are providing in addition to
2 the net savings that will reflected in the currently
3 pending rate cases.

4 Shareholders, not customers, will shoulder
5 all transaction costs, and these transaction costs
6 will include the cost of unwinding the initial
7 transaction. Shareholders, not customers, will
8 shoulder all transition cost in excess of
9 \$50 million on a total company basis. Hundreds of
10 millions of dollars of merger savings net of
11 transition cost will flow back to customers through
12 the normal course of future rate cases. The
13 required filing under the fuel adjustment clause by
14 KCP&L and GMO no later than 37 months after the
15 rates are effective in the 2018 rate cases provides
16 Missouri customers certainty with respect to the
17 growing merger of savings levels and the -- will be
18 reflected in future rates for the companies'
19 customers.

20 The stipulations between the applicants
21 and the other parties recommend that the commission
22 find that the merger of GPE and Westar, as
23 conditioned by the stipulations, is reasonable and
24 not detrimental to the public interest. The
25 conditions and the commitments are set forth in the

1 body of those stipulations and agreements, as well
2 as in Exhibit A, which is attached to the first
3 stipulation, and they cover a variety of subjects
4 which are included on that slide. They include
5 general conditions, including the funding of
6 community action agencies for weatherization. They
7 include community support commitments, as well as
8 important employee commitments, financing
9 conditions, rate making, accounting, and related
10 conditions, affiliate transaction and cost
11 allocation of annual conditions. There's also a
12 provision that's calling for an independent
13 third-party audit of affiliate transactions and
14 corporate allocations. There's quality of service
15 conditions, reporting and access to records
16 conditions, and other parent company conditions.

17 I'm not going to recite all of the
18 commitments that are included there, but they are
19 very significant and they demonstrate that the
20 issues important to the parties have been adequately
21 considered and have been addressed. If you look at
22 them and study them, they're well accepted
23 regulatory safeguards that will further insulate
24 utility customers from even the possibility of
25 negative circumstances, were those to occur at the

1 parent company level. These safeguards shield
2 customers from risks while permitting the merger to
3 move forward and bring merger savings to customers.

4 The stipulations also recommend that the
5 commission grant the requested variance from the
6 affiliate transaction rule. This variance was
7 previously approved by the commission in connection
8 with the GPE acquisition of Aquila in 2008. As I
9 mentioned, on Thursday of last week, the applicants
10 and public counsel and the Missouri Energy Consumers
11 Group agreed to a stipulation in this proceeding
12 which increased the up-front bill credits. The
13 total up-front bill credits under the stipulation
14 will be \$29 million. In addition, transition cost
15 recovery will be limited to 9.7 million for KCP&L
16 and \$7.2 million for GMO and recovered over ten
17 years.

18 There are also agreements related to
19 customer bill presentation to ensure that customers
20 will be able to understand the identity of their
21 specific utility provider, whether it's KCP&L or
22 Westar or GMO. The applicants also agreed to
23 provide a report to the Missouri Department of
24 Economic Development showing applicants' year-end
25 Missouri employment levels for each of the calendar

1 years of 2021, 2022, and 2023, in addition to
2 reporting already provided elsewhere, the
3 stipulation for the first two years after close.
4 There will also be ongoing dialogue between KCP&L
5 and GMO and industrial customers every six months
6 during the period of 2019 through 2023.

7 The second stipulation also contains an
8 agreement on the method of allocating the bill
9 credits between rate classes and the customers
10 within those classes. While the stipulations have
11 addressed and resolved the legitimate issues in this
12 case for determination by the commission that the
13 proposed merger is not detrimental to the public
14 interest, Renew Missouri has nevertheless proposed a
15 long list of conditions that would effectively alter
16 the net -- the not detrimental to the public
17 interest standard in Missouri -- by requiring
18 dramatic expansion of renewable energy, energy
19 efficiency programs, and a grid modernization
20 program, despite the fact that applicants already
21 are industry leaders in the efforts in these areas.
22 While the company's witness Burton Crawford
23 discusses at length the applicants' efforts with
24 regard to clean energy, energy efficiency, and
25 modernization efforts, expanding such efforts at an

1 additional cost to customers goes well beyond the
2 scope of this application. As the evidence
3 demonstrates, applicants are already leaders in the
4 development of clean energy and renewable energy
5 sources, as well as energy efficiency and
6 modernization programs. In fact, GMO added
7 300 megawatts of wind facilities in 2017 and has
8 entered into purchase power agreements totaling an
9 additional 444 megawatts by the end of 2019. Westar
10 added 480 megawatts of wind capacity in 2008 and
11 2017, and they're currently reviewing RFP seeking
12 proposals for additional wind capacity. With these
13 recent additions of wind resources, the combined
14 company wind resources will make them one of the top
15 five wind producers in the country, exceeding many
16 of those in the western part of our country. So I
17 think that's important, we'll be among the top five
18 wind producers.

19 The Kansas Electric Power Co-op did not
20 file any testimony in the case, but it has objected
21 to the stipulations and it's filed a position
22 statement which recommends that the commission
23 condition its approval of the merger on a
24 requirement that the applicants cannot retire any
25 generating capacity without first obtaining the

1 approval of the commission. This condition is
2 unnecessary, it's beyond the scope of the
3 application, and it should be rejected. As the
4 commission knows, KCP&L and GMO are required to
5 follow the Commission's integrated resource planning
6 rules, which include an extensive review of supply
7 side, as well as demand side resources. The
8 retirements of generating capacity are reviewed in
9 those IRP plans and are considered by the commission
10 and interested parties as a part of the IRP process.
11 And the commission routinely considers the comments
12 of all interested parties on the company's preferred
13 resource plan and may raise any concerns that it has
14 about those plans. And then, of course, the
15 commission also has the authority to review the
16 prudence of management decisions in the context of
17 rate cases, including issues related to the
18 retirement of capacity. It's unnecessary and
19 inappropriate for the commission to condition the
20 merger as is being requested by KEPCo.

21 In short, Renew Missouri and KEPCo seek to
22 leverage the opportunity provided by this merger
23 proceeding to pursue policy objectives that serve
24 their specific and their own special interest and
25 not interest necessary to satisfy the not

1 detrimental to the public interest standard that
2 exists in Missouri and not interests that are
3 appropriate for this merger proceeding. For these
4 reasons, their suggested additional conditions
5 should be rejected.

6 Now, through our agreements with the staff
7 of the public counsel, Brightergy, MJMEUC, and MCEG,
8 we proposed a better path forward which protects
9 customers while permitting the merger to be
10 completed so it can deliver the benefits of both
11 immediate and guaranteed bill credits and long-term
12 savings for Missouri utility customers. In the
13 almost two years since this initial transaction was
14 announced, hundreds of employees of Westar and KCP&L
15 have been working together to finalize their
16 planning of the integration of their companies. All
17 of the work done to date has validated the
18 applicants' initial confidence and it's increased
19 the assurance about the future benefit for Missouri
20 bringing these companies together. The applicants
21 feel very strongly about their future as one
22 company, and we respectfully request that the
23 commission approve the proposed merger and the
24 limited variance of the affiliate transaction rule
25 that we've requested.

1 I appreciate very much your attendance and
2 your attention today. I look forward to having our
3 folks answer any questions that you might have over
4 the next couple of days. Thank you.

5 MR. HALL: Good morning. What is the
6 status of the Kansas case?

7 MR. FISCHER: We have hearings next week.
8 We filed a settlement with many of the parties last
9 week, as well, and we're looking forward to having
10 that heard in Kansas next week.

11 MR. HALL: When do you expect a decision?
12 What's the standard time frame?

13 MR. FISCHER: I believe the -- Counsel,
14 can you help me? Is it June the 5th, is the date of
15 the -- we're expecting the order?

16 June the 5th.

17 MR. HALL: June the 5th? The nonunanimous
18 stipulation filed in Kansas, what parties are not
19 signatory to that agreement?

20 MR. FISCHER: I believe counsel -- or
21 Mr. Ives can probably be the best person to answer
22 that question, but I understand that KEPCo is not a
23 party and some industrial customers and the Kansas
24 Industry Companies, I think they're called, are not
25 parties. There might be some other outliers, but

1 those are the major ones.

2 MR. HALL: Okay. Would Mr. Ives be the
3 witness to get information on how -- at least from
4 the applicants' perspective -- how the stipulation
5 in Kansas compares to the stipulations in Missouri?

6 MR. FISCHER: Yes. I would ask that you
7 direct those questions to Mr. Ives. Mr. Greenwood
8 can also chime in, but they were much more involved
9 in the negotiation of the stipulations in Kansas.

10 MR. HALL: Okay. What is your perspective
11 on whether or not this commission could require some
12 kind of Most Favored Nation provision? Do you think
13 that the standard in place to evaluate this
14 transaction precludes us legally from including that
15 kind of provision?

16 MR. FISCHER: The standards in the two
17 states are definitely different. We have a not
18 detrimental to the public interest standard. Kansas
19 has a statutory provision that lists all of the
20 elements, and, ultimately, they have to find it's in
21 the public interest.

22 MR. HALL: Right.

23 MR. FISCHER: And in addition to that, we
24 have different regulatory constructs here in
25 Missouri. We have -- like, for example, the fuel

1 adjustment clause requires that the Missouri
2 commission -- excuse me -- the company's file within
3 37 months after their last rate case to include
4 that --

5 MR. HALL: Right. I understand the
6 standards are different, but what I'm trying to
7 understand is, is -- are the applicants taking the
8 position that the standard in place for this
9 transaction precludes this commission from including
10 some kind of Most Favored Nation?

11 MR. FISCHER: Yeah, it's not appropriate
12 that you would do so, and we've reached an agreement
13 with the public counsel to --

14 MR. HALL: On a policy basis its
15 inappropriate or on a legal basis its inappropriate
16 or both?

17 MR. FISCHER: I think it's probably both,
18 Your Honor, if you look at it. Really, though it's
19 a practical problem. We have different constructs
20 with -- there are many more different riders in
21 Kansas that allow them to have a -- for example, a
22 five-year rate case moratorium, which is included in
23 the stipulation there. We couldn't do that in
24 Missouri because we, under our statutory
25 requirements for the fuel clause, have to file 37

1 months after the last rate case to keep that -- so
2 we couldn't go out, for example, five years for a
3 rate case moratorium. There are also other
4 provisions in the Kansas stipulation which are going
5 to be different than they are in Missouri. We're
6 getting more up-front bill credits here in Missouri
7 than they're getting in Kansas. Kansas gets the --
8 because of their moratorium, they're going to be
9 receiving some annual bill credits which wouldn't be
10 appropriate here in Missouri. But it's -- the -- I
11 think if you discuss it with Mr. Ives, you'll find
12 the benefits are substantially equivalent but
13 they're different, and it's largely because of the
14 different regulatory constructs that we have in the
15 two states.

16 So, anyway, we believe that we've reached
17 a resolution with the public counsel and other
18 parties that is a good approach and it's consistent
19 with our standard of not being detrimental to the
20 public interest.

21 MR. HALL: And you don't believe that
22 staff -- and I'll inquire of Mr. Thompson when he
23 has an opportunity to speak -- that staff is not
24 advocating for a Most Favored Nation?

25 MR. FISCHER: No, Your Honor. If you look

1 at Natelle Dietrich's testimony, she makes it very
2 clear that she is promoting the -- making sure that
3 we are consistent with the not detrimental to the
4 public interest standard that we have in Missouri.

5 MR. HALL: Well, that's not how I read her
6 surrebuttal testimony.

7 MR. FISCHER: Oh, I think her surrebuttal
8 is still looking to make sure there aren't any harms
9 to Missouri customers, and that's certainly what
10 these stipulations result in.

11 MR. HALL: I can inquire of Mr. Thompson
12 on that.

13 And this is perhaps -- I'm looking at the
14 stipulation and agreement, and there's an Exhibit A
15 and an Exhibit B to my copy.

16 MR. FISCHER: Yeah, I think the second one
17 shows the differences between the changes from
18 one -- from the original filed version.

19 MR. HALL: So Exhibit B is the one that
20 is -- the one that you are proposing?

21 MR. FISCHER: I think it's Exhibit B that
22 shows what -- how it was changed.

23 MR. HALL: Which one do I look at, A or B?
24 Because I see it -- I'm not sure how substantive the
25 differences are, but there are a few.

1 MR. FISCHER: I believe A is the version
2 we're proposing, but B was added so that you could
3 find the differences from the original version that
4 the companies had proposed. If I'm incorrect on
5 that, my witness will correct me, but that's my
6 understanding.

7 MR. HALL: I'm still confused, but I can
8 inquire of witnesses.

9 Which of your witnesses would be the
10 correct witness on the affiliate transaction rule
11 and the --

12 MR. FISCHER: Mr. Ives.

13 MR. HALL: He's just the go-to guy, isn't
14 he?

15 And who -- who would I want to ask
16 questions of regarding any possible combination of
17 KCP&L and GMO in the future?

18 MR. FISCHER: You know, you might want to
19 ask Mr. Bassham that question and Mr. Ives.

20 MR. HALL: Can you speculate -- and it is
21 speculation --

22 MR. FISCHER: I can do that.

23 MR. HALL: Can you speculate what -- why
24 is KEPCo asking us to include the provision that our
25 approval is necessary for the retirement of any

1 future generation? What's their agenda, if you can?

2 MR. FISCHER: You know, Your Honor, I
3 probably shouldn't speculate about their agenda or
4 their motives. They have contacts with Westar today
5 that are of a concern, I think, and they are raising
6 issues related to -- they're using the merger
7 proceeding as an opportunity to leverage their own
8 special interest, I think. It makes no sense to me
9 that this commission would require approval in
10 advance of retiring these generation capacities that
11 they're asking about. Your IRP process and your
12 rate case process gives you all of the authority
13 that you need to do that, and -- but I probably
14 should not speculate about their motives. You can
15 ask their counsel that.

16 MR. HALL: And I will. But let me ask --
17 if we have all of the authority we need regarding
18 the retirement of generation, why not just agree to
19 the provision, if it's duplicative?

20 MR. FISCHER: I'm not sure you do have the
21 statutory authority to do exactly what they're
22 asking for, but you do have the authority to look at
23 the prudence of that and the IRP and certainly any
24 one -- you have broad interventions in those cases,
25 and you have lots of folks chiming in on what the

1 plans -- the preferred plan of the utility are, and
2 the retirements are kind of a new issue for us, but
3 those will certainly be addressed in the IRP
4 process.

5 MR. HALL: Okay. And then I think
6 lastly -- I know that you've -- FERC has granted --

7 MR. FISCHER: Approved the transaction,
8 yes.

9 MR. HALL: Granted your application for
10 approval. What other -- other than Kansas, what
11 other regulatory hurdles are there, other than --

12 MR. FISCHER: Hart-Scott-Rodino has been
13 taking care of, and I think that's -- with the state
14 commission approvals, that's going to be the last.

15 MR. HALL: Okay. Thank you.

16 MR. FISCHER: Thank you.

17 MR. RUPP: Just curiosity out of procedure
18 and stuff, for assumption sake, let's say that this
19 commission agreed to everything that Renew Missouri
20 were proposing. How would that impact your Kansas
21 stipulation and what you're doing there? Would it
22 have any impact?

23 MR. FISCHER: Directly -- I don't think it
24 would have a direct impact. I don't know whether
25 they would be interested in that or not, but it

1 wouldn't have any direct impact, no.

2 MR. RUPP: Thank you.

3 MR. FISCHER: But I would suggest to you
4 doing what they're doing would take us well beyond
5 where the company as a leader in this area of clean
6 energy and energy efficiency. They were one of the
7 proponents of MEA and were -- as I mentioned, we're
8 going to be in the top five in all of the country as
9 a wind producer. And to go beyond that, which is
10 what they're asking for, will be a substantial
11 expansion of the programs and the cost to consumers.
12 And we believe that's in violation of the not
13 detrimental to the public interest. That would be
14 encouraging expansion into some other areas. And
15 you'll be able to look at such things in other
16 forums as well.

17 MR. RUPP: Thank you.

18 MR. FISCHER: Thank you.

19 MR. BUSHMANN: Commission staff.

20 MR. THOMPSON: May it please the
21 commission. There are four issues presented for
22 your determination in this matter. First of all,
23 should the commission find that GPE's merger with
24 Westar is not detrimental to the public interest and
25 approve the merger; second, should the commission

1 condition its approval of the merger, and, if so,
2 how; third, should the commission grant the limited
3 request for variance of the affiliate transaction
4 rule requested by the applicants; and, fourth, how
5 should the bill credits proposed by the applicants
6 be allocated between and within the various KCP&L
7 and GMO rate classes?

8 Staff believes that the merger should be
9 approved and should be conditioned. Staff believes
10 that with the conditions set out in the two
11 stipulations and agreements, the first one filed on
12 January 12, 2018, the second one filed on
13 March 8, 2018, that the transaction will not be
14 detrimental to the public interest in Missouri and
15 should therefore be approved. Staff believes that
16 if you approve the merger, you should also grant the
17 limited request for variance, and the staff suggests
18 that the bill credits should be allocated according
19 to a methodology to be proposed by the commission.

20 Thank you very much. I'm happy to answer
21 any questions that you have.

22 MR. HALL: Good morning.

23 MR. THOMPSON: Good morning, sir.

24 MR. HALL: I read -- and I can ask
25 Ms. Dietrich about this as well, but I read Ms.

1 Dietrich's surrebuttal testimony on page 10, lines 4
2 through 6 as advocating something at least similar
3 to what OPC was proposing related to a Most Favored
4 Nation provision. Am I misreading this?

5 MR. THOMPSON: I don't know if you're
6 misreading it or not. I can only tell you what I
7 understand it to mean.

8 MR. HALL: Okay. That was tactful.

9 MR. THOMPSON: I took that class in law
10 school.

11 MR. HALL: Okay.

12 MR. THOMPSON: As this transaction moves
13 down the track in two different states towards its
14 conclusion, I think what Ms. Dietrich is saying is
15 we have to be wary that there are no conditions
16 imposed in Kansas which will themselves cause a
17 detriment in Missouri.

18 MR. HALL: So how do we do that?

19 MR. THOMPSON: I think we keep a careful
20 eye in what's happening in Kansas. I think that
21 their decision is likely to come out first, and it
22 will be available for the commission to consider.

23 For example -- the example we've used is
24 what if Kansas insists that all of the bill credits
25 be distributed in Kansas? Well, I think that would

1 be detrimental to the public interest in Missouri,
2 and it's something that should bring the transaction
3 to a screeching halt.

4 MR. HALL: So staff is not recommending a
5 specific condition --

6 MR. THOMPSON: Right.

7 MR. HALL: -- it is advocating that we
8 should not issue an order until we've seen the
9 Kansas order?

10 MR. THOMPSON: I believe that's correct,
11 but Ms. Dietrich can correct that if I'm wrong.

12 MR. HALL: Okay. Ms. Dietrich is your --
13 is staff's only witness; is that correct?

14 MR. THOMPSON: That is correct, sir.

15 MR. HALL: So she will be able to compare
16 the Kansas stipulation to the Missouri stipulation
17 and describe differences and those that are required
18 by the different statutory and regulatory frameworks
19 of the state and those that are different for other
20 reasons and how one may be better than another in
21 certain -- with regard to certain provisions? Is
22 she the witness that can do that?

23 MR. THOMPSON: That's a tall order, but I
24 believe she can do it.

25 MR. HALL: On the affiliate transaction

1 waiver, my understanding is that without a waiver,
2 it would be almost impossible for two affiliates
3 that are both regulated by the commission to
4 essentially interact. Is that -- am I being overly
5 simplistic or -- I mean, I think I got that
6 understanding from you at some point in this hearing
7 room, but I want to make sure I understand that
8 correctly.

9 MR. THOMPSON: No. I think they would be
10 able to interact, but I think it would be at great
11 cost because of the asymmetric pricing rule.

12 MR. HALL: Well -- I mean, my
13 understanding is that each affiliate would have to
14 get the lowest cost possible, which how do you do
15 that if you've got two entities negotiating a deal,
16 that the -- both -- I mean, that's the asymmetrical
17 problem, and that would essentially -- I mean, how
18 could that even -- how could two affiliates function
19 without a waiver as -- is, I guess, my question.
20 Isn't it just required just by the structure of the
21 entities involved?

22 MR. THOMPSON: I think it probably is. I
23 mean, they can't each be getting the lowest possible
24 price, so ...

25 MR. HALL: Okay. You phrased it better

1 than I did, but that's my understanding as well.
2 And Ms. Dietrich will also be able to explain that
3 in more detail?

4 MR. THOMPSON: Yes, she will.

5 MR. HALL: Okay. So we've got Mr. Ives on
6 one side and Ms. Dietrich on the other. Good.

7 All right. That's all I have. Thank you.

8 MR. THOMPSON: Thank you, Mr. Chairman.

9 MR. RUPP: So if the state of Kansas reads
10 the proposals from Renew Missouri, and they decide
11 that that is in the best interest for their state,
12 would that be -- and they put that as a stipulation
13 in their agreement, would that be something staff
14 would believe would be detrimental to Missouri?

15 MR. THOMPSON: That might be a question
16 that you would have to ask Ms. Dietrich.

17 MR. RUPP: All right. I will do that.
18 Thank you.

19 MR. THOMPSON: Thank you, sir.

20 MR. BUSHMANN: I just have one question.

21 MR. THOMPSON: Yes, Judge.

22 MR. BUSHMANN: About the allocation of the
23 bill credits you mentioned that you thought that
24 that should allocated with a methodology determined
25 by the commission. Am I correct that in that second

1 stipulation, there was a proposed allocation of bill
2 credit included in that? Is that right?

3 MR. THOMPSON: I believe there was, and we
4 are a signatory to the second stipulation, so that
5 would be a change in the staff's position --

6 MR. BUSHMANN: If the commission decided
7 to adopt that proposal, would there be any other
8 kind of calculations or determination that would
9 need to be made after that?

10 MR. THOMPSON: I do not believe so.

11 MR. BUSHMANN: Okay. Thank you.

12 MR. THOMPSON: Thank you very much.

13 MR. BUSHMANN: Opening by MJMEUC.

14 MS. WHIPPLE: Good morning. I am Peggy
15 Whipple, and I represent the Missouri Joint
16 Municipal Electric Commission, and we do call
17 ourselves MJMEUC. We appreciate having had the
18 opportunity to intervene in this matter so that we,
19 too, could carefully consider the effect of this
20 proposed merger on our municipal members.
21 Particularly, we have nine cities who are within the
22 transmission footprint. They take transmission
23 services from either KCP&L or GMO facilities. Those
24 cities are Carrollton, Harrisonville, Higginsville,
25 Marshall, Odessa, Osceola, Rich Hill, Salisbury, and

1 Slater. MJMEUC also considered the effect of this
2 merger on its 11.76 joint ownership share of the
3 Iatan 2 generating plant in Platte County, Missouri.
4 We have participated in the many discussions among
5 the parties, the applicants have answered our
6 questions, and we are persuaded that this merger is
7 not detrimental to the public interest. MJMEUC
8 signed both the January 12th and the
9 March 8th stipulation and agreement, and we request
10 that this commission approve this merger, subject to
11 the conditions that are set forth in the
12 January 12th and March 8th stipulation and
13 agreements.

14 Thank you.

15 MR. BUSHMANN: Thank you.

16 Public Counsel.

17 MR. WILLIAMS: Thank you, Judge. My name
18 is Hampton Williams. I'm representing the Office of
19 the Public Counsel. I'm not going to recite the
20 terms that Mr. Fischer has gone through with respect
21 to the stipulations that were filed, but I would
22 like to highlight some points. The standard that,
23 you know, we're considering today is whether or not
24 the application is not detrimental to the public
25 interest. And for -- the public counsel's mission

1 in this case was to protect Missouri rate payers
2 from what was also occurring across the border from
3 Kansas. The initial stipulation that was filed
4 between the company and staff included many terms
5 that the public counsel supported in the previous
6 application, including the independent audit
7 requirement, as well as commitments to provide
8 funding to consumer relief agencies, all terms that
9 we've supported, and as Dr. Marke's testimony
10 expressed appreciation for inclusion in the initial
11 case. But the open question was, what terms could
12 or would be determined in Kansas and what effect may
13 those have in Missouri? In the stipulation filed
14 last week, the terms that were outlined was a
15 limitation on what transition costs would be
16 eligible for recovery in Missouri and the
17 determination of bill credits that would be
18 available on a one-time payment for Missouri rate
19 payers. With those two terms, we believe that we
20 have an understanding of -- to the exposure that
21 Missouri rate payers could experience, and we
22 believe that to the -- you know, to the best of our
23 ability and satisfaction, that the stipulation,
24 second stipulation mitigates those concerns and
25 would provide protections -- adequate protections

1 for Missouri rate payers.

2 In Dr. Marke's testimony, there is a
3 recommendation for an equal outcome provision. In
4 the stipulation terms we have withdrawn that
5 recommendation, but we -- he will be available --
6 made available to provide testimony as requested by
7 the commissioners with respect to anything that he's
8 testified to.

9 So with that, I'll stand open for
10 questions.

11 MR. HALL: Good morning. Do you believe
12 that the equal outcome provision is a provision that
13 this commission has the authority to require
14 legally?

15 MR. WILLIAMS: I believe that you would
16 have the authority to subject the application to
17 conditions. I will say that the recommendation that
18 we made during rebuttal -- and even in our position
19 statement -- from our perspective, that interest has
20 been mitigated. The purpose of the equal outcome
21 argument was, again, not knowing what could come
22 from Kansas, and we believe that the terms which
23 limit the amount of transition cost and the manner
24 in which it can be recovered to, I think, a ten-year
25 period, as well as the commitment on how bill

1 credits can be allocated, we believe that that is
2 resolved, that concern, to our satisfaction, but,
3 certainly, the commission will have the authority to
4 consider record evidence in making its
5 determinations.

6 MR. HALL: And public counsel also -- you
7 also support the waiver of the affiliate transaction
8 rule?

9 MR. WILLIAMS: Yes, we do. Now, in the
10 condition for the first stipulation, it included
11 language with respect to reviewing the KM, as well
12 an independent audit of those affiliate groups, so I
13 think that a lot of the concerns that the public
14 counsel has previously expressed in the prior
15 application or, I guess, the pendency of that have
16 been addressed in that initial stipulation.

17 MR. HALL: Okay. Thank you.

18 MR. WILLIAMS: Thank you.

19 MR. BUSHMANN: Missouri Division of
20 Energy.

21 MR. POSTON: Judge, unless the commission
22 has questions, we don't have a prepared opening.

23 MR. BUSHMANN: Questions?

24 MR. HALL: No questions. Thank you.

25 MR. BUSHMANN: Kansas Electric Power

1 Cooperative.

2 MR. SCHULTE: Good morning, Judge. Good
3 morning, Commissioners. My name is Andrew Schulte
4 on behalf of the Kansas Electric Power Cooperative,
5 or KEPCo. Our interest in this proceeding is
6 limited to ensuring that our positions in the Kansas
7 proceeding that are -- that we can pursue those
8 arguments and nothing in this proceeding negatively
9 effects our ability to pursue those in the Kansas
10 proceeding. We have not filed any testimony, and
11 unless something unexpected happens, we don't plan
12 to cross-examine any witnesses. Our focus has been
13 in the Kansas proceeding. We did file an objection
14 to the -- both stipulations and agreements that were
15 filed in this proceeding. We had to do so out of
16 principle because our positions are contrary in the
17 Kansas proceeding to the extent that we have asked
18 for a more robust IRP process pre-approval of
19 retirements and more solid ring fencing provisions.

20 But with that, I'll take any questions.

21 MR. HALL: I'm not sure I understand. Why
22 do you want this -- why do you want the approval of
23 this transaction to be conditioned upon this
24 commission having authority to approve the
25 retirement of any generation?

1 MR. SCHULTE: As you know, the standard in
2 Kansas is that you have to show positive attributes,
3 not just no detriment. There has to be benefits.
4 And we believe that the companies have used the
5 retirement of the coal plants to show cost savings
6 that create benefits that outweigh the costs. And
7 our concern is that the IRP that was filed as part
8 of this case assumes that those plants are going to
9 be retired. They make presumptions about the cost
10 of the alternatives, which include the demand side
11 management and reliance on the SPP marketplace. We
12 believe that those costs may be underestimated, and
13 so we have concerns that if they rush into the
14 retirements, that it will end up increasing cost for
15 all of the customers.

16 MR. HALL: And then connect the dots for
17 me. What is your interest that is being implicated
18 if that were to occur?

19 MR. SCHULTE: KEPCo is a wholesale
20 purchaser of energy from Westar, and our concern is
21 that the cost will increase.

22 MR. HALL: But you're not providing any
23 evidence in this case to support that concern?

24 MR. SCHULTE: No, sir. Our evidence has
25 been -- on those issues has been submitted in

1 Kansas.

2 MR. HALL: And so how could any action by
3 this commission affect that interest in Kansas?

4 MR. SCHULTE: If this commission approves
5 the stipulations and agreements as proposed, there
6 would not be a direct impact on our ability to
7 request those same provisions in Kansas. We
8 objected because we want to reserve our rights to
9 pursue those in Kansas, and we could not acquiesce
10 to the stipulation and agreement that did not
11 include those terms.

12 MR. HALL: Because this commission could
13 not review Westar's sale or -- yeah, sale of energy
14 to KEPCo; is that correct?

15 MR. SCHULTE: Correct.

16 MR. HALL: And this jurisdiction does not
17 have the jurisdiction or authority to look at the
18 propriety of retiring plants in Kansas that are not
19 serving Missouri customers; correct?

20 MR. SCHULTE: To the extent that those
21 plants are going to be part of the joint company --
22 and I'm not sure how they allocate the energy from
23 the plants in Kansas to the customers in Missouri,
24 but I would think that to the extent that they are
25 all now proposed to be part of one company, that

1 there would be jurisdiction over the plants in
2 Kansas.

3 MR. HALL: Okay. Thank you.

4 MR. BUSHMANN: Thank you.

5 Midwest Energy Consumers Group.

6 MR. WOODSMALL: Thank you, Your Honor.

7 Good morning. As an initial matter, I want to say I
8 appreciate being here today. As you know, I fought
9 hard previously to get the commission to assert
10 authority over this transaction, and I appreciate
11 the commission doing that, and I think now you see
12 the value to rate payers and to Missouri of the
13 commission having jurisdiction over this transaction
14 and future transactions by this holding company.

15 As an initial matter, all of the parties
16 have talked in some degree about the different
17 standards between Missouri and Kansas, and I just
18 wanted to touch that real briefly. I believe,
19 really, there's no significant difference. Sure,
20 there's a difference in name, but if you think about
21 it, what you are doing is setting up a balancing --
22 a scale, if you will, with detriments on one side
23 and benefits on the other. In Missouri -- in
24 Kansas, the benefits have to outweigh the
25 detriments. It doesn't say how much, they just have

1 to outweigh them. So it may be this much
2 (indicating). In Missouri, they have to be equal.
3 You know, but what's the difference between that?
4 Another dollar of bill credits? You know, yeah,
5 it's a difference in name, but it's not a
6 significant difference when you get to the actual
7 weighing, so keep that in mind as you go forward,
8 not only in this transaction but future
9 transactions.

10 Now on to our position in this case. We
11 are a signatory to the second stipulation. Several
12 provisions in there that we believe make that
13 provision not detrimental to the public interest and
14 allowed me the ability to sign that. The first one
15 is transition cost. As the companies have talked
16 about, there are two different types of costs that
17 are implicated in a case like this. There's
18 transaction costs; there's transition costs.
19 Transaction costs, in general, are the costs that
20 are simply incurred to transfer ownership of the
21 stock from ABC entity to the new combined company.
22 It is the cost just to change ownerships and
23 customers don't get any real benefit from that. So
24 the historical provision for that is don't allow any
25 recovery of those costs. And we see that here, too.

1 Early on the company said, We won't seek transaction
2 costs. Transition costs are different. Transition
3 cost are the costs to actually put the companies
4 together. They're the costs that, they will tell
5 you, are used to unlock merger savings, and so those
6 are treated differently, and the provision here
7 allows for some recovery of transition costs. We've
8 limited because we don't want to give an open check,
9 you know, just to ring up transition costs, so there
10 is a provision allowing for recovery of transition
11 costs in Missouri. It is over ten years, which was
12 designed in some regard to match up the cost with
13 the merger savings. The merger savings will be
14 hopefully realized over an extended period, so this
15 matches up the recovery of the transition cost with
16 how we're going to start seeing the savings.

17 Another provision in the transaction -- or
18 in the stipulation provision No. 10 concerns future
19 mergers. As I mentioned, we believe that it's
20 important for this commission to continue to have
21 authority over future acquisitions, and this just
22 simply takes that provision that applied to Great
23 Plains and says it applies going forward to the new
24 holding company -- whatever the name of it is.
25 Provision 11 talks about name changes. This is

1 something that we fixed previously. It allows
2 Missouri customers to clearly see whether you're a
3 KCP&L customer or a GMO customer. We want to make
4 sure that continues forward. I don't know what the
5 names will be going forward, but if the names
6 change, we want customers to know who their service
7 provider is so that they can go and look at the
8 tariffs and see the rates. There's a provision,
9 No. 12, that talks about a meeting with industrial
10 customers. We'd like to have a heightened dialogue
11 with the company, just so we better understand each
12 other. So there's a provision for meetings every
13 six months with senior management there.

14 Finally, there are provisions regarding
15 the allocation of the bill credits. There's a
16 methodology for how the bill credits are allocated
17 within each company, KCP&L and GMO between the
18 various classes, and there's a provision for how --
19 once you get within a class, how they're allocated
20 to the individual customers. So we've taken care of
21 that in this stipulation.

22 Bottom line, like I said, I believe with
23 these provisions, that MECG believes that this
24 transaction meets the standard of not detrimental to
25 the public interest.

1 Thank you.

2 MR. HALL: Good morning. I'd like to
3 first say thank you for your work on the complaint
4 case filed that culminated in the commission's
5 determination that it had jurisdiction over the
6 transaction, which is why we're here today.

7 MR. WOODSMALL: You're welcome.

8 MR. HALL: Obviously, I agreed with that
9 approach, as did the rest of the commission.

10 The provision in the second stipulation
11 regarding future mergers, you believe that that
12 simply extends the language from the GPE case to
13 this one?

14 MR. WOODSMALL: Exactly. The future --
15 the previous provision from Case No. EM2001464
16 applied to the reorganization that created Great
17 Plains Energy. My concern was Great Plains will
18 merge with Westar and have a new company exist and
19 whether this commitment applied going forward. So
20 all this does is spell that out.

21 MR. HALL: So if Holdco merges with
22 another company, if it acquires another company,
23 whether that company is a public utility under
24 Missouri law or not, any of those transactions, in
25 your view, would be subject to this commission's

1 approval.

2 MR. WOODSMALL: That's my view. And I
3 hope it's the view of the company. But, yes, that's
4 certainly my view that your decision in the
5 complaint case from last year would continue -- the
6 provision that provided for that decision would
7 continue to apply going forward.

8 MR. HALL: Okay. Thank you.

9 MR. WOODSMALL: Thank you.

10 MR. BUSHMANN: Renew Missouri.

11 MR. OPITZ: Good morning. May it please
12 the Commission. My name is Tim Opitz, and I'm here
13 on behalf of Renew Missouri Advocates doing business
14 as Renew Missouri. We are a nonprofit organization
15 focused on renewable energy and energy efficiency.
16 So I appreciate that the applicants pointed out
17 that -- what we already stated in our application
18 for intervention is that we do have an interest
19 different than general public, and those are the
20 interests that we're trying to advocate for here, as
21 well as give an opportunity to examine the other
22 impacts on the public interest that could result in
23 this merger.

24 The applicants are seeking an affirmative
25 order that this merger is not detrimental to the

1 public interest in Missouri. They're not seeking an
2 order to say that this is better than their last
3 go-around last year. As you have heard in merger
4 cases, determining the public interest has been done
5 through a balancing of all of the possible benefits
6 and all of the possible detriments to find out that
7 there's -- when you look at it in totality, there's
8 no net detriment to the public. Whether -- it's our
9 view that whether the merger is not detrimental to
10 the public interest in Missouri is a very broad
11 standard, and that's because the public interest is
12 a matter of policy determined by you, the
13 commission. Yet the applicants, as you heard this
14 morning, and as you'll realize from the history of
15 this case and the prior application, have attempted
16 to limit your review of the public interest related
17 this merger at every turn. First, in the last
18 attempt, they tried to resolve the case through an
19 e-mail notifying you that they were acquiring
20 Westar, even though they had already agreed years
21 ago to seek commission approval and make a showing
22 that any acquisition or merger would not be
23 detrimental to the public interest. When the e-mail
24 didn't work, and after a staff investigation, they
25 tried to resolve that through an application for

1 variance from the affiliate transaction rules.
2 That, too, failed because a variance is a grant for
3 good cause; whereas, the commission in that case --
4 in the complaint case filed by MECG said a variance
5 is a lower standard than the not for public -- not
6 for detriment to the public interest standard.

7 Now, in this case, the applicants want to
8 limit the commission's review in determining the
9 public interest to exclude matters related to
10 renewable energy development and resource
11 utilization. To be clear, Renew Missouri's position
12 is that renewable energy development and resource
13 utilization, as defined in the testimony of
14 Mr. Karl Rabago, are necessary and essential issues
15 that the commission must evaluate when weighing the
16 potential benefits against the potential detriments
17 of this merger.

18 Mr. Rabago filed his testimony on behalf
19 of Renew Missouri, and he will tell you that a
20 guarantee that a merger will be not detrimental to
21 the public interest is not possible or reasonable to
22 expect, but merger conditions imposed upon the
23 applicants can and will stand out as written and
24 specific obligations that can be associated with the
25 successful transition of the companies under this

1 merger. Conditions are not controversial. Every
2 witness who filed testimony discussed conditions
3 that any approval of this merger should have
4 conditions attached. And although the company has
5 agreed to certain conditions and various
6 stipulations in Kansas and Missouri, it has not
7 addressed the concerns raised by Renew Missouri.
8 Instead, in surrebuttal and again this morning, the
9 company makes two essential arguments: First, the
10 applicants think Renew Missouri misinterprets the
11 Missouri merger standard, and, second the,
12 applicants say that they have a history of clean
13 energy development, so there's no reason for them to
14 commit to anything additional.

15 On the Missouri merger standard, I will,
16 of course, address that further in briefs, but in
17 short, the PSC decides what is in the public
18 interest. Clean energy development and resource
19 utilization are emerging issues and are critical to
20 address. The PSC has found pursuing these kind of
21 issues to be in the public interest. In one recent
22 case, GMO, one of the companies involved here, was
23 applying for a solar CCM, and in its report and
24 order, the commission said, GMO's customers and the
25 general public have a strong interest in the

1 development of economical renewable energy sources
2 to provide safe, reliable, and affordable service
3 while improving the environment and reducing the
4 amount of carbon dioxide released into the
5 atmosphere. That decision was upheld by the Western
6 District Court of Appeals. I was involved in the
7 appeal challenging it. I guess iron sharpens iron;
8 right?

9 Our further argument on that legal
10 position is that the need to guard against
11 backsliding in these areas that the company is proud
12 to have made progress on is critical and should be
13 evaluated in the case. Now, as to the company's
14 second argument, that its prior history renders
15 Renew Missouri's conditions unnecessary, Mr. Rabago
16 discusses his concern whether the merger will have a
17 detrimental impact on the progress of clean energy
18 development and utilization, retirement of older
19 fossil fuel generation, efficient use of energy,
20 grid modernization, and customer opportunities for
21 investing in and benefiting from distributed energy
22 resources, including distributed generation, green
23 power programs, energy efficiency, energy
24 management, and energy storage. In his testimony,
25 he uses the shorthand clean energy development and

1 resource utilization, and I've adopted that in my
2 filings and remarks here today.

3 In his testimony, Mr. Rabago addresses
4 conditions -- why these conditions are important to
5 protecting the public interest. Of note, he
6 explains that the complicated nature of integrating
7 utilities will consume the attention of company
8 management and staff for years to come. You've
9 heard this morning that the company has invested
10 multiple years and a lot of time getting ready for
11 this. Well, that's not just going to end if you
12 issue an order approving it; they're going to have
13 to continue to focus on these issues and work on
14 that. Second, Mr. Rabago testified that integration
15 and transition under the merger implies
16 significantly increased regulatory oversight
17 responsibilities. He proposes conditions that will
18 ensure the applicants prioritize what they have been
19 doing so that they will continue to do them during
20 the transition of this case.

21 Now, as I said, that won't guarantee that
22 there's no net detriment to the public interest, but
23 it is a part of the balancing that you should
24 consider, and if those conditions are applied to the
25 approval of this case, that will go a long way in

1 addressing these critical concerns.

2 In addition to those risks identified,
3 there is the additional risk of the detrimental --
4 of detriments to the public in the areas of
5 renewable energy development and resource
6 utilization. Because of the differences in these
7 pretty similar companies' existing policies and the
8 potential impact of the conditions that are
9 ultimately imposed in Kansas. Despite their
10 similarities, the Missouri companies and the Kansas
11 companies are in some very important areas related
12 to clean energy development pursuing very different
13 paths on renewable energy policy. For example,
14 KCP&L Missouri and GMO have fairly robust MEA
15 portfolios. I will note that those companies, in
16 their most recent MEA application insisted that they
17 have a regulatory escape clause, that they could
18 terminate the program at will because they were
19 uncertain about whether they should continue to
20 pursue it and wanted to keep that in there as an
21 option.

22 With -- we know that Westar does not have
23 a robust energy efficiency program under the KCP&L
24 statute. We know that KCP&L does not have one under
25 the Kansas version of the energy efficiency statute.

1 With the combined company board consisting of equal
2 members from the Kansas companies and Missouri
3 companies, the Missouri interest and commitment to
4 pursue energy efficiency may evaporate. We're
5 asking for conditions that they will commit to
6 continuing what they have been doing. Instead,
7 applicants indicate their interest but make no firm
8 commitments.

9 There are also differences in rate design
10 objectives between these Kansas companies and the
11 Missouri companies. Westar currently has a rate
12 case pending in Kansas, and I understand -- and I
13 will ask the company witnesses about it -- that
14 they're seeking to add charges to residential
15 customers with distributed generation. KCP&L in
16 Missouri, so far, has not pursued that kind of rate
17 design, and Renew Missouri's position is that if --
18 a move to that rate design pushed by a combined
19 board would be a detriment to the Missouri public.
20 So we ask for conditions that they're not going to
21 implement that, at least while the -- while they
22 continue to evaluate the transition and integration
23 of these companies.

24 I mentioned, and it came up earlier with
25 questioning of staff counsel, that the applicants

1 have a stipulation agreement in Kansas. Now, those
2 conditions that the company agrees to in Kansas can
3 negatively impact a Missouri public interest.
4 Considering those conditions is not against the
5 Missouri standard. Both staffs and public counsel's
6 witnesses suggested that the commission should take
7 into account any Kansas conditions that pose risk to
8 the Missouri public interest. Consider how can the
9 applicants agree to a 9.3 ROE in Kansas and a
10 five-year rate moratorium while giving out bill
11 credits in Missouri and Kansas, committing to
12 increased dividend payment for the Westar customers,
13 repurchasing common stock to rebalance their Holdco
14 capital structure, all while dealing with what their
15 president will testify to as declining customer
16 usage or flat customer usage. Where is that money
17 going to come from? There are no similar
18 commitments regarding ROE in Missouri, and there's
19 no similar request regarding rate moratoriums in
20 Missouri. They may say that their merger savings
21 will account for all of that, but if those estimates
22 are wrong -- let's say that they don't end up
23 retiring these plants, which they've made no firm
24 commitment to retire, and they aren't permitted to
25 raise rates, where are they going to come up with

1 that money? Are they going to stop investing in
2 renewable generation and grid modernization? From
3 Renew Missouri's perspective, ceasing progress in
4 those areas would be a detriment to the Missouri
5 public interest and is threatened by potential
6 conditions in Kansas.

7 To guard against all of these risks and to
8 prevent regression of what the companies have done,
9 this commission should impose the conditions
10 identified by Mr. Karl Rabago in his rebuttal
11 testimony. Requiring the applicants to incorporate
12 these conditions into their merger, transition, and
13 integration activities can establish a reasonable
14 foundation for a commission finding that the
15 proposing merger satisfies the Missouri merger
16 standard. Without those conditions, the risk of
17 falling back on progress or standing still in these
18 areas is so detrimental to the public interest, that
19 the PSC cannot reasonably issue and find no public
20 detriment.

21 Before I submit myself for questions, I
22 would ask that the -- I referenced a few Public
23 Service Commission cases, and I would ask that the
24 commission take official notice of a few of those
25 cases.

1 The report in order in EA20150256, the
2 report and order in this EA20160208, the report and
3 order in EC20170107, and the report and orders in
4 EO20150241 and EO20150240.

5 MR. BUSHMANN: Any objection to the
6 commission taking notice of those orders?

7 MR. FISCHER: Judge, I would ask that he
8 identify -- or describe that second EA docket. What
9 was that related to, Mr. Opitz?

10 MR. OPITZ: The EA20160208 was a Ameren
11 Missouri CCN application for a solar facility.

12 MR. FISCHER: I don't have any problem
13 with taking official notice of it, although I don't
14 know what the relevance is. Thank you.

15 MR. BUSHMANN: The commission will take
16 official notice of those five reports and orders.

17 MR. OPITZ: Thank you, Judge.

18 I'm happy to answer any questions.

19 MR. HALL: No questions. Thank you.

20 MR. RUPP: I have a question.

21 The general theme I've picked up from your
22 opening is basically one of just uncertainty about
23 the future and fear that if things don't go as
24 planned, the renewable energy and grid modernization
25 and all of things is going to be the first on the

1 chopping block. Is that a fair summation from the
2 theme that I've picked up?

3 MR. OPITZ: I think that's a component of
4 it. I think that some of the conditions are to firm
5 up things that the company may have represented
6 could be benefits that are not firmly committed to.
7 For example, the retirement of these facilities.
8 You heard KEPCo's counsel mention that they have a
9 concern in Kansas that if those facilities --
10 retiring those facilities is essential to getting
11 the merger savings. Now, that is over in Kansas,
12 but those merger savings are being presented as
13 something that's going to make this entire merger
14 beneficial to the public interest, according to the
15 company. So if that is something that they're not
16 willing to commit to, that gives me reason to
17 question how certain those estimates may be on the
18 merger savings.

19 MR. RUPP: Thank you.

20 MR. BUSHMANN: Thank you.

21 Let's take a short break while we set up
22 the first witnesses as a panel. So we'll be in
23 recess until 10:45.

24 (A recess was taken.)

25 MR. BUSHMANN: We're ready for the

1 applicants to call their first witnesses.

2 MR. FISCHER: Thank you, Judge. I'd like
3 to first thank the commission for accommodating us
4 and allowing us to present our CEOs as a panel. I
5 think it'll be more efficient for answering
6 questions from the bench, particularly, and thank
7 you very much.

8 I'd like to introduce each of the
9 testimony individually, though, and then I'll turn
10 them over for questioning by the parties and by the
11 commission.

12 TERRY BASSHAM

13 MARK RUELLE,

14 being first duly sworn, was examined and testified as
15 follows:

16 DIRECT EXAMINATION

17 MR. FISCHER: Mr. Bassham, let's take you
18 first. Please state your name and business address
19 for the record.

20 MR. BASSHAM: Terry Bassham, 1200 Main,
21 Kansas City, Missouri.

22 MR. FISCHER: Are you the same Terry
23 Bassham that caused to be filed in this proceeding
24 direct testimony, which I'll tell you has been
25 marked as Exhibit 2?

1 MR. BASSHAM: I am.

2 MR. FISCHER: Are there any corrections or
3 additions that you need to make?

4 MR. BASSHAM: There are not.

5 MR. FISCHER: And are those -- is your
6 testimony true and accurate to the best of your
7 knowledge and belief?

8 MR. BASSHAM: It is.

9 MR. FISCHER: Judge, with that, I would
10 move for admission of Exhibit No. 2.

11 MR. BUSHMANN: Any objections?

12 Hearing no objections, Exhibit 2 is
13 admitted.

14 MR. FISCHER: And, Mr. Ruelle, I'd like to
15 take you next.

16 Would you state your name and address for
17 the record.

18 MR. RUELLE: Mark A. Ruelle, 818 Kansas
19 Avenue, Topeka, Kansas.

20 MR. FISCHER: Are you the same Mark Ruelle
21 that caused to be filed direct testimony in this
22 case, which has been marked as Exhibit 13?

23 MR. RUELLE: Yes.

24 MR. FISCHER: Do you have any changes that
25 you would like to make to that testimony?

1 MR. RUELLE: No.

2 MR. FISCHER: If I were to ask you the
3 questions that are contained in that, would your
4 answers be the same, and are they true and accurate
5 to the best of your knowledge and belief?

6 MR. RUELLE: Yes, they are.

7 MR. FISCHER: Judge, with that, I would
8 move for the admission of Exhibit No. 13, and I
9 would tender the panel for cross-examination or for
10 questions from the bench.

11 MR. BUSHMANN: Any objections to
12 Exhibit 13?

13 Hearing none, it's admitted.

14 And for cross-examination, if you have a
15 particular witness you'd like to direct your
16 question to, please identify which witness that
17 you're -- to which your question is addressed. And
18 first would be by staff.

19 MR. THOMPSON: Mr. Bassham, good morning,
20 sir.

21 MR. BASSHAM: Good morning.

22 MR. THOMPSON: Sir, did you hear the
23 opening statement given by Mr. Opitz a few minutes
24 ago?

25 MR. BASSHAM: I did.

1 MR. THOMPSON: And do you believe that
2 your company will need the coercion of written
3 conditions in order to continue in the area of
4 renewables and energy efficiency?

5 MR. BASSHAM: No. I'd say, first, we're
6 very proud of the work we've been doing and continue
7 to do and brag about our focus on those kinds of
8 things. And in addition to that, I would argue that
9 the merger we're talking about here makes us even a
10 stronger company that gives us more flexibility.

11 MR. THOMPSON: Thank you, sir.

12 No further questions.

13 MR. BUSHMANN: Cross-examination by
14 MJMEUC?

15 MS. WHIPPLE: None, Your Honor. Thank
16 you.

17 MR. BUSHMANN: Public counsel?

18 MS. SHEMWELL: No questions. Thank you.

19 MR. BUSHMANN: Division of Energy?

20 MR. POSTON: No questions.

21 MR. BUSHMANN: Renew Missouri.

22 MR. OPITZ: Good morning.

23 MR. RUELLE: Good morning.

24

25

1 CROSS-EXAMINATION

2 MR. OPITZ: Mr. Bassham, I have a few
3 questions for you, and then I've got a few that
4 could be addressed to Mr. Ruelle.

5 So you are aware that the applicants filed
6 several nonunanimous stipulations in both Missouri
7 and Kansas?

8 MR. BASSHAM: I am.

9 MR. OPITZ: And have you -- did you have
10 an opportunity to review the stipulation agreement
11 filed in Kansas?

12 MR. BASSHAM: I did.

13 MR. OPITZ: You did?

14 Judge, may I have a document marked --
15 approach to have a document marked?

16 MR. BUSHMANN: Fine.

17 MR. OPITZ: I believe it will be 451.

18 (Exhibit No. 451 was marked for
19 identification.)

20 Mr. Bassham, have you had a chance to take
21 a look at the document I handed you?

22 MR. BASSHAM: Yes.

23 MR. OPITZ: And would you agree that that
24 is a copy of the nonunanimous stipulation agreement
25 filed on March 7th with KCC, but it does exclude the

1 schedules to that stipulation; is that correct?

2 MR. BASSHAM: Appears to be.

3 MR. OPITZ: And does this copy appear to
4 be an accurate and true copy of the stipulation?

5 MR. BASSHAM: As far as I can tell.

6 MR. OPITZ: Okay. Would you agree that
7 these are not the same terms as agreed to with the
8 parties in Missouri?

9 MR. BASSHAM: There are many terms that
10 are similar, but there are different structure and
11 terms, yes.

12 MR. OPITZ: In Kansas, the company agreed
13 to seek a 9.3 ROE in its next rate case; is that
14 correct?

15 MR. BASSHAM: I'm not sure that's the way
16 it's worded. It's intended to address the issue of
17 ROE in the context of the settlement in the next
18 cases, and it discusses how the parties will treat
19 ROE. The mechanics of it -- the actual filing,
20 Mr. Ives is probably the best person to talk to.

21 MR. OPITZ: Okay. And yet you'd agree
22 that the companies have not agreed to that kind of
23 ROE provision in Missouri; is that correct?

24 MR. BASSHAM: Well, again, the structure
25 of the request -- or the structure of the document

1 is to ensure that the parties had some sense of
2 where ROE might be among the parties, at a minimum,
3 in the next case. Our stipulation in Missouri
4 doesn't address that issue in the cases already
5 filed.

6 MR. OPITZ: So why is that provision
7 important in Kansas and not Missouri.

8 MR. BASSHAM: Well, in part, we haven't
9 filed our case yet. Secondly, we don't have a rate
10 freeze for five years. So if you're going to set a
11 baseline for a rate freeze for five years, the
12 concern over whether ROE would be during that time
13 period is pretty significant; whereas, in Missouri,
14 we could end up -- you know, a show cause hearing on
15 some other matter that could be addressed without
16 the freeze provision existing in the new -- in the
17 Missouri stipulation.

18 MR. OPITZ: Judge, I would move for the
19 admission of Exhibit 451 in evidence.

20 MR. BUSHMANN: Any objections?

21 MR. FISCHER: No objection. I would note
22 there are attachments in Kansas that are not
23 included here.

24 MR. BUSHMANN: 451 is admitted.

25 MR. OPITZ: And, Judge, I have a copy that

1 includes the attachments. I did not print all of
2 those attachments to save paper, but if the company
3 prefers, I can submit that copy --

4 MR. FISCHER: That might be clean for the
5 record.

6 MR. OPITZ: May I approach, Your Honor?

7 MR. BUSHMANN: Yeah.

8 MR. OPITZ: Mr. Bassham, in your
9 testimony -- do you have a copy of your testimony
10 with you?

11 MR. BASSHAM: I do.

12 MR. OPITZ: At page 3, line 18, you
13 discuss that -- your testimony focuses on how the
14 combined company will operate and realize the value
15 of the merger for its stakeholders.

16 MR. BASSHAM: Yes, sir.

17 MR. OPITZ: Within your testimony, do you
18 identify any firm commitments to energy efficiency?

19 MR. BASSHAM: My testimony does not
20 address any additional firm commitments to energy
21 efficiency in Missouri. We already have a MEEIA
22 program here, but it doesn't address the additional
23 ones, no.

24 MR. OPITZ: Okay. And you don't have any
25 additional commitments related to any of the rate

1 design issues raised by Renew Missouri, do you?

2 MR. BASSHAM: Not in my testimony. I
3 point out we've already filed a rate case, and we've
4 already got provisions that we're working on and
5 we've got ongoing MEEIA programs in place, but not
6 within this filing, no.

7 MR. OPITZ: So did the company -- did the
8 joint applicants take into account when they were
9 planning the merger how they would approach as a
10 joint entity the programs related to energy
11 efficiency or rate design in Missouri?

12 MR. BASSHAM: Well, I wouldn't be able to
13 tell you specifically we did program by program.
14 What I would tell you is the purpose of this merger
15 is to be able to create a company which is strong
16 enough to make its decisions in a way that are best
17 for all its constituents, including continuing to
18 provide customer service in a way that customers
19 expect and is good for both costs and the
20 environment. And, certainly one driver for the
21 merger would be able to put us in a position to be
22 able to address those kind of concerns.

23 MR. OPITZ: Did you have an opportunity to
24 review the testimony of Mr. Rabago in this case?

25 MR. BASSHAM: I read it when it was first

1 filed, but I -- that's about it.

2 MR. OPITZ: May I approach the witness,
3 Judge?

4 That's a copy of his rebuttal testimony,
5 and I've got it open to page 18.

6 MR. BASSHAM: Okay.

7 MR. OPITZ: In his testimony, he discussed
8 that the companies make no firm commitments related
9 to certain areas as a result of this merger. Line 4
10 he says:

11 "The applicants state that the merger may
12 enable future construction of additional wind
13 generation, but there's no commitment provided to
14 construct new generation."

15 Why did the company not provide a firm
16 commitment to do so?

17 MR. BASSHAM: So, first of all, I think we
18 take a lot of pride in what we've done to this
19 point. When I arrived at the company in '05, we
20 didn't have any renewable energy, and now combined
21 with our rate -- latest announcements and our merger
22 here, we'll be one of the top five in the county
23 with regard to wind. That is not by accident; that
24 is a commitment on our part. And we didn't need a
25 required commitment to do that. We know it's the

1 right thing to do, and we've been working hard on
2 that. I'll also tell you that, as you know, whether
3 it's energy efficiency or renewables, it involves a
4 lot of analysis. We do an integrated resource plan
5 that's a measure of need and cost over a long period
6 of time for our customers, and we also do a MEEIA
7 program process, which is a complicated process
8 around the programming and results. So those
9 accountings are normally taken under a different
10 process, if you will, than a merger commitment. And
11 we have shown our commitment from a corporate
12 perspective.

13 MR. OPITZ: If you've shown that
14 commitment and the company's intent to do that,
15 would you agree to a condition as of the merger that
16 you would continue pursuing those programs?

17 MR. BASSHAM: I don't think that's either
18 appropriate for us or our customers. The megawatts,
19 the amount, the location, the cost, how it
20 integrates into our current portfolio, all of those
21 things are things you have to consider, and for me
22 to sit here today and make a commitment to X
23 megawatts by X time, I don't think would be a smart
24 thing to do. That doesn't indicate a lack of
25 commitment on our part to continue to move our

1 portfolio to what our customers and our commission
2 expect, which is both more clean, but continues to
3 be very reliable.

4 MR. OPITZ: As the companies -- if the
5 merger is approved in both Missouri and Kansas, as
6 they move forward, do you expect this integrated
7 resource planning to go forward as a combined
8 company, or how do you expect it to move forward?

9 MR. BASSHAM: It'll continue as we have up
10 to this point, and, certainly, we would integrate
11 those resources into it as well. Some of the
12 stipulations in both have been addressed to some
13 degree. But, certainly, we would plan to look at
14 the integration of our systems. We've done it on a
15 combined basis after the Aquila merger for many
16 years.

17 MR. OPITZ: On the --

18 MR. BASSHAM: Back when we did the Aquila
19 merger.

20 MR. OPITZ: For the GPE?

21 MR. BASSHAM: Yes. Correct.

22 MR. OPITZ: So the companies would agree
23 that they will put forward integrated resource
24 planning in the Missouri dockets in their IRP
25 filings?

1 MR. BASSHAM: I don't know exactly what
2 our stipulation is here, but we'll be doing that
3 work, I assume.

4 MR. OPITZ: On that same page of his
5 testimony, Mr. Rabago goes on to say that:

6 "The applicants state that the merger will
7 allow accelerated retirement of additional
8 50-plus-year-old Westar power plants by five to ten
9 years, including the Murray Gill units, Gordon Evans
10 units, and coal-fired Tecumseh Unit 7; however, the
11 merger does not commit to firm retirement of the
12 plants, even though those operational savings are
13 included in the efficiency schedule."

14 How come the company is unable to commit
15 to retiring those plants?

16 MR. BASSHAM: We're not -- well, I'll --
17 any specifics around these units -- Mr. Ruelle is
18 sitting right here, I'll let him answer those. But,
19 obviously, we've identified that because of the
20 mergers, our capabilities were able to move those
21 up, so I -- if you're just asking why have we not
22 committed to do that by a certain time, it's the
23 same answer I gave before, is that managing and
24 evaluating the right time to do those is important,
25 but we certainly believe that they've been moved up

1 in the timing.

2 MR. OPITZ: So if those units are not
3 retired at the time that you've projected, that will
4 have an impact on the estimated savings as a result
5 of this merger; is that correct?

6 MR. BASSHAM: It could from a timing
7 perspective. We've made the commitment to close
8 them. If you're looking for a specific timing --
9 that's the question, I think, you've asked here, and
10 that would actually suggest we have every incentive
11 to close those as expected, because we see those
12 benefits when we do.

13 MR. OPITZ: Going back to your testimony
14 at page 17.

15 MR. BASSHAM: Yes, sir.

16 MR. OPITZ: Excuse me. Page 18, lines 10
17 through 11.

18 MR. BASSHAM: Yes, sir.

19 MR. OPITZ: You state that:

20 "This MOE is important for Missouri and a
21 logical next step in an industry under pressure to
22 manage cost and keep electricity both increasingly
23 reliable yet affordable."

24 Is that correct?

25 MR. BASSHAM: Yeah, I do.

1 MR. OPITZ: So do you agree that the
2 electric industry is going through a period of
3 change at the time?

4 MR. BASSHAM: Certainly. You know, late
5 '90s, we had a hundred publically-owned utilities,
6 and today we have less than 50, so just
7 statistically, that proves out itself. And,
8 certainly, you know, more recently, as we've seen
9 reduced low growth, while we still see increased
10 cost, that is an issue that each company is having
11 to deal with internally.

12 MR. OPITZ: Aside from that, is it -- is
13 the utility industry also under pressure to include
14 and add more renewable energy?

15 MR. BASSHAM: I would say that we want to
16 be responsive to our customers, and we as a company
17 certainly want to be responsive to our environment
18 and our planet, and as a result, we are looking for
19 every opportunity to provide our customers with that
20 resource in a way that's also affordable. So that's
21 the thing to recall. We have assets that are and
22 have been in existence for 50-plus years, as well as
23 some newer assets, and to simply abandon everything
24 we've done for the last hundred years and begin anew
25 would be more expensive than reasonable for our

1 customer. So that's why the integrated resource
2 plan is so important, that's why our measured
3 approach is important for our customer.

4 MR. OPITZ: So you would agree that for
5 residential customers, the option to participate in
6 renewable energy programs is something that's an
7 emerging issue in the industry.

8 MR. BASSHAM: For some customers it is;
9 for some, it's not. We have a wide array of
10 customers who find different things important, but
11 some do.

12 MR. OPITZ: And are the joint applicants
13 willing to commit to offering customers those kinds
14 of emerging options for residential customers?

15 MR. BASSHAM: Well, as you know, we can't
16 offer our customers anything that we haven't went
17 through a commission process. So, again, a process
18 for evaluating those in a context of a rate case is
19 probably the appropriate place to do that.

20 MR. OPITZ: Would you agree that there's
21 also a growing demand among customers?

22 MR. BASSHAM: Again, some do; some don't,
23 but, yes, there are some that are very focused on it
24 and some that are not.

25 MR. OPITZ: Have you heard from any in

1 your joint applicant service territory who are
2 interested in renewable energy for commercial
3 customers?

4 MR. BASSHAM: Certainly.

5 MR. OPITZ: And does the company have
6 plans to accommodate those desires from their
7 customers.

8 MR. BASSHAM: We plan to work with our
9 customers, we plan to work with our commissions to
10 develop programs that we can provide them in the
11 future, absolutely.

12 MR. OPITZ: Would you commit to a time
13 frame on when you would submit for the commission's
14 consideration for that kind of plan?

15 MR. BASSHAM: I don't think it's
16 appropriate here or a need here for me to commit to
17 a specific time. We'll work with our customers,
18 we'll work with our commissions and staff, and as we
19 develop programs and can file those, we will.

20 MR. OPITZ: I mentioned in my opening
21 statement the KCP&L and GMO applications for MEEIA
22 Cycle 2. Are you familiar with those cases?

23 MR. BASSHAM: I am.

24 MR. OPITZ: And are you familiar with the
25 company's positions in that case -- the KCP&L and

1 GMO positions in that case that --

2 MR. BASSHAM: I am.

3 MR. OPITZ: -- that they needed the
4 regulatory escape clause?

5 MR. BASSHAM: I am.

6 MR. OPITZ: And what was the driving force
7 as to why the company required that in that case?

8 MR. BASSHAM: The first would be that
9 legislation allows it, and so remaining --
10 maintaining that is important. And No. 2,
11 committing, just like you're asking me to do here
12 today -- committing to programs and costs in the
13 future, when I don't know what the allocation of
14 costs and the recovery mechanisms are, is impossible
15 for me to do. I have to understand the programs,
16 the products, and, ultimately, mechanisms for
17 recovering those costs, so that mechanism is very
18 important for me.

19 MR. OPITZ: So is there anything that has
20 changed in the intervening time period that makes
21 you more certain that the companies are going to
22 continue pursuing those activities.

23 MR. BASSHAM: We were the leading company
24 to get MEEIA passed in the legislature. We were the
25 leading company to push for the framework at the

1 commission, and we have continued now into our
2 second traunch of MEEIA. I think our commitment is
3 pretty clear. Again, this merger gives us the
4 ability to be strong enough to continue to look for
5 those opportunities for our customers and our
6 commission.

7 MR. OPITZ: So you can't identify any
8 market conditions that have changed your approach as
9 to that regulatory exit provision?

10 MR. BASSHAM: Well, nothing is going to
11 change the regulatory out provision. The
12 legislation provides for it, it needs to be
13 maintained. Lots of market conditions change, and
14 that's why you have evaluation of the products on an
15 ongoing basis.

16 MR. OPITZ: Thank you.

17 Mr. Ruelle, I've got a few questions for
18 you as well.

19 So in your testimony, you offer that
20 Westar and GPE utilities are faced with flat sales
21 and rising cost, similar to what Mr. Bassham
22 testified. Do you recall that?

23 MR. RUELLE: Yes.

24 MR. OPITZ: If that's true, how is it that
25 the company in Kansas can agree to a five-year rate

1 moratorium?

2 MR. RUELLE: Well, in large part, it's a
3 merger. I mean, there -- we're at a nexus of three,
4 sort of, intractable facts. One, is that customers
5 are more reliant and dependent on reliable
6 electricity than any time in human history, whether
7 it's computer-controlled equipment or dependence on
8 our cell phones or whatever, customers are more
9 reliant on electricity than ever. Here's the irony:
10 They don't need more of it, but they need access to
11 it more than they've ever needed it. And the other
12 intractable fact is that for a hundred years, we're
13 accustomed to recovering our costs based on the
14 volume of electricity sold, like a gallon of gas or
15 a commodity. And so if we have flat sales, rising
16 costs to keep it more reliable, but we can't recover
17 that over greater sales, absent some intervening
18 effort, like this merger, it means higher prices.
19 And there is no alternative available to us which
20 I'm aware of that has the ability to manage our
21 costs in the face of those three intractable facts
22 like the merger. It creates savings to help us
23 through that and help -- more importantly, help our
24 customers through that.

25 MR. OPITZ: And what happens if the

1 savings estimates are wrong, if the costs aren't
2 able to be as controlled as you've estimated or
3 projected?

4 MR. RUELLE: Well, they will either be
5 higher or lower than we predict, but the incentives
6 to capture them are all one direction. I mean,
7 we're providing credits to our customers in advance
8 of our ability to get the savings, and so we
9 wouldn't do that if we weren't confident in the
10 savings.

11 MR. OPITZ: You also talk about, in your
12 direct testimony at page 7, the company's plan --
13 the holding company's plan to rebalance the capital
14 structure.

15 MR. RUELLE: Yes.

16 MR. OPITZ: And this rebalancing is going
17 to take place over a number of years; is that
18 correct?

19 MR. RUELLE: We estimate about two.

20 MR. OPITZ: Two years. And have you
21 committed that rebalancing the Holdco capital
22 structure will not increase rates in Missouri?

23 MR. RUELLE: Yes.

24 MR. OPITZ: Can you commit that
25 rebalancing the holding company capital structure

1 will not lead to reductions in your investment in
2 clean energy development?

3 MR. RUELE: As Mr. Bassham testified,
4 it's going to be hard to find two companies more
5 passionate about the development of renewable
6 energy. There isn't a need to put a notch in a
7 pistol handle or anything else -- or a compulsion to
8 do it. I mean, you're going to have a hard time
9 finding two companies that have done more of it, and
10 there's just no reason not to continue on the path
11 to making energy more clean, consistent with the
12 other things that are also important.

13 MR. OPITZ: So if that's the case, do you
14 have written and specific direction to follow that
15 path during the transition period of the merger?

16 MR. RUELE: Well, I can tell you what
17 we've done in the transition of the merger. Since
18 we started down this path, these two companies have
19 added hundreds of megawatts of renewables in the
20 midst of negotiating and trying to get approval of a
21 merger that failed, and then renegotiating and
22 continuing to get approval of a different merger. I
23 think -- I think we've done on the Westar side
24 almost 500 megawatts in the last two years; I think
25 you've done, like 700 -- sorry -- KCP&L.

1 MR. OPITZ: So in my opening statement I
2 also mentioned some of the differences between the
3 outlooks of certain programs between the Kansas
4 Westar and the KCP&L Missouri operations, and one of
5 them was related to emergency efficiency. And you'd
6 agree that Westar does not have an energy efficiency
7 program under the Kansas Energy Efficiency Act;
8 right?

9 MR. RUELE: I'd like to answer that in
10 two ways. I would agree that we don't have, in
11 Kansas, the companion legislation like MEEIA. I would
12 not agree that we don't have energy efficiency
13 programs. I mean, for example, we've got a
14 community solar program, we've got green tariffs.
15 We've got more green tariffs on file, I think.
16 We've got industrial interruption provisions working
17 with our industrial customers so that we don't have
18 to build more power plants to meet load. We've got
19 demand side management programs with thermostats.
20 We've got an energy efficiency portal that's
21 accessible by our customers so that they can see and
22 manage their energy literally by the -- I think it's
23 the 15-minute interval. I mean, we've got -- we are
24 equally passionate to energy efficiency, but the
25 rules of the road and the regulations in Kansas are,

1 in fact, different than they are in Missouri. So we
2 advance our passions consistent with the rules that
3 exist in each state.

4 MR. OPITZ: And you expect that as a board
5 member, you'll continue to advocate for those kind
6 of initiatives?

7 MR. RUELE: As I do today as a board
8 member.

9 MR. OPITZ: Westar has proposed -- has a
10 pending rate case; correct?

11 MR. RUELE: Yes, we do.

12 MR. OPITZ: Are you familiar with that
13 rate case?

14 MR. RUELE: Generally, yes.

15 MR. OPITZ: Are you aware of any proposals
16 related to rate design?

17 MR. RUELE: Yes.

18 MR. OPITZ: And what is it that Westar is
19 asking for in the Kansas rate case related to
20 distributed generation rate design?

21 MR. RUELE: Well, the same thing we ask
22 for with regard to rate design in every case, and
23 that is that rates are designed to reflect the cost
24 of service to different customers who use the system
25 differently. And in Kansas, it has been a

1 determination of the commission in Kansas that
2 customers with distributed generation use the system
3 differently, and that there might be different costs
4 imposed on the system or required of the system, or
5 different demands of the system, based on how they
6 use it differently.

7 MR. OPITZ: In your proposal supporting
8 the proposal for distributed generation rate design
9 changes, these are different than what you have had
10 in the past related to distributed generation rates;
11 correct?

12 MR. RUELLE: Yes, they are.

13 MR. OPITZ: So -- and when figuring out
14 the cost to the system that those customers may
15 incur, did Westar conduct a value of solar study?

16 MR. RUELLE: We did not because that was
17 beyond the scope of the docket. The commission
18 specifically was interested in looking at the cost
19 of the system imposed on the system for how
20 customers use it, so it was a cost of service step.

21 MR. OPITZ: So in that cost of service
22 study that you looked at, it didn't take into
23 account any possible benefits, did it?

24 MR. RUELLE: I don't know the degree to
25 which it did or didn't. I know that was a subject

1 of discussion among the parties.

2 MR. OPITZ: And when you're talking about
3 docket, are you talking about your rate case, or are
4 you talking about some other case over in Kansas?

5 MR. RUELE: There was a -- I believe you
6 could characterize it as a generic investigation at
7 a policy level to decide how companies might or
8 might not seek rate design consistent with how this
9 new technology has allowed customers to use a system
10 differently than in the more homogeneous fashion
11 that we've previously been accustomed to.

12 MR. OPITZ: Would you agree that it is
13 important to evaluate both the cost and benefits for
14 those customers?

15 MR. RUELE: As they affect the revenue
16 requirement and the cost of service, absolutely.

17 MR. OPITZ: You discuss the actions that
18 the company has taken recently and ongoing during
19 this process. So would you agree that the company
20 has been on a trajectory towards pursuing more of
21 these -- I will call them renewable energy projects
22 and a trajectory to more energy efficiency projects.

23 MR. RUELE: I think that's a fair
24 characterization, yeah.

25 MR. OPITZ: If the combined company backed

1 off that trajectory or simply kept the status quo,
2 would you agree that that's a detriment?

3 MR. RUELLE: I mean -- no, I wouldn't.
4 Because as Mr. Bassham testified, we're already one
5 of the leading encouragers, passionate developers of
6 and users of renewable energy. I mean, he wasn't
7 talking about on a per capita basis, he was talking
8 on an absolute basis, we're -- I think we're No. 5.
9 There are companies way bigger than the companies
10 that we are individually or that we will be
11 together. This is on an absolute basis, we're
12 No. 5. If we did it on a per capita basis, I
13 suspect it would be more -- well, I won't speculate,
14 but it would certainly be a higher ranking than
15 fifth.

16 MR. OPITZ: So with that perspective,
17 would you expect that the companies are likely going
18 to step down their trajectory in pursuing those
19 initiatives?

20 MR. RUELLE: No. I think we'll continue
21 to do the appropriate analysis and -- as I think
22 Mr. Fischer said in his opening statement, as we
23 speak, we're evaluating more renewable energy
24 options at Westar.

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

1 MR. BUSHMANN: Cross by Kansas Electric
2 Power?

3 MR. SCHULTE: No questions.

4 MR. BUSHMANN: MECG?

5 MR. WOODSMALL: Very briefly, Your Honor.

6 CROSS-EXAMINATION

7 MR. WOODSMALL: I wasn't planning on doing
8 any cross, but a question from the chairman earlier
9 kind of prompted this.

10 Mr. Bassham, are you familiar with the
11 stipulation that was executed with MECG last week?

12 MR. BASSHAM: I am.

13 MR. WOODSMALL: And there's a provision in
14 there -- first off, you will be the CEO of the
15 combined company; right?

16 MR. BASSHAM: I will.

17 MR. WOODSMALL: So you're able to make
18 commitments on behalf of the combined company; is
19 that correct?

20 MR. BASSHAM: I am.

21 MR. WOODSMALL: Okay. Are you familiar
22 with the provision regarding future mergers?

23 MR. BASSHAM: I am.

24 MR. WOODSMALL: And what is your
25 understanding of the purpose of that?

1 MR. BASSHAM: The purpose is to eliminate
2 the uncertainty around Missouri jurisdiction over
3 future mergers.

4 MR. WOODSMALL: And so regardless whether
5 the acquisition target is a Missouri utility or a
6 utility in another state, the Missouri commission
7 will have the authority to approve that merger; is
8 that correct?

9 MR. BASSHAM: That's correct.

10 MR. WOODSMALL: No further questions thank
11 you.

12 MR. BUSHMANN: Questions from the bench?

13 MR. HALL: Yeah.

14 Good morning, Mr. Bassham. Mr. Ruelle,
15 welcome to Missouri.

16 MR. RUEELLE: Thank you. It's been a
17 while.

18 MR. HALL: I wish this was during football
19 season and not basketball season.

20 Let me start off with where Mr. Woodsmall
21 ended, and I just want to make sure I'm perfectly
22 clear on this.

23 So that provision, paragraph 10 of the
24 stipulation, that essentially means that if Holdco
25 acquires or merges with or gets acquired by any

1 other public utility, regardless as to whether or
2 not that public utility is a Missouri utility or a
3 non-Missouri utility, your position is that it would
4 be subject to the jurisdiction of this commission.

5 MR. BASSHAM: I'm not testifying as a
6 lawyer, but our initial filing was based on what we
7 believe to be the reading of the statute and the
8 law, and that based upon the commission's ruling in
9 our prior case, the answer is yes.

10 MR. HALL: Okay. What is the plan going
11 forward for developing a name for Holdco and
12 possibly changing the names of the various
13 subsidiaries?

14 MR. BASSHAM: The number one question I
15 get to answer with employees as well. We've been
16 doing a lot of work on that. Obviously, the
17 commitment is to rename the holding company first.
18 We'll have a new ticker on day one, and that will
19 start us off with a new entity which has the
20 combined stock. Just from a sheer cost perspective,
21 it makes more sense not to try to do that on Day 1
22 for all of the trucks and all of the companies --
23 the holding companies. So once the name is done and
24 the ticker for the stock is set, we'll then work on
25 the plan for when and how we roll that out to every

1 truck and every customer.

2 So we will ultimately be known by one
3 name, but it may take the rest of the year to go
4 through the process of getting everything switched
5 at a reasonable timeline and a reasonable price --
6 quicker means more money. And we also have IT
7 systems. We want to be sure our customers are not
8 confused, either. So we want to be sure it's very
9 clear who their provider is. And then from a
10 cultural perspective, ultimately, we want there to
11 be one name, because we want both our customers and
12 employees to know who their provider is and our
13 employees to be proud of their fellow team members.

14 MR. HALL: So, first, there will be a name
15 for Holdco, and then soon thereafter, there will be
16 one name for all three subsidiaries?

17 MR. BASSHAM: The name will be the same
18 for all. Just like today we have GXP or Great
19 Plains Energy, and then KCP&L is the utility name
20 for all utilities. We won't have that difference
21 this time; it'll be utility and all companies, which
22 will eventually have the same name. Now, when a
23 customer initially gets -- like they do today, when
24 they get a bill, they'll know -- and we haven't
25 figure out exactly how to do this, but are they that

1 name dash GMO; that name dash Kansas City what --
2 how to do that, because, obviously, we want people
3 to know who their specific utility is, given rate
4 differences between the jurisdictions.

5 MR. HALL: So at some point in time, will
6 there be -- will you maintain separate corporate
7 structure for GMO and KCP&L?

8 MR. BASSHAM: For the present. I mean,
9 we've -- it's really a rate issue; it's not a
10 corporate issue. Corporately, it'd probably be
11 better to have them all be one, but from a rate
12 issue perspective, rates are different, and we've
13 just gone through the collapse of rates between St.
14 Joe, Power & Light, and GMO, and that took time.
15 Westar spent many years doing the same thing in
16 Kansas.

17 So, corporately, it's fairly easy. It's
18 the rate structures combined that will make the real
19 difference that requires technology and approval
20 here at the commission, those kind of things.

21 MR. HALL: The rate case that you intend
22 to file here, that was both KCP&L and GMO; correct?

23 MR. BASSHAM: We filed one in both places,
24 yes.

25 MR. HALL: So it might be possible to take

1 up some of those issues in --

2 MR. BASSHAM: I'd suggest, without giving
3 my regulatory team a heart attack, that it would be
4 a good place to talk about the process for that.
5 Again, we just went through that with a new
6 technology customer information system going in as
7 well, but we certainly could have that discussion
8 about what the right timing is, how important it is.
9 You know, you tend to have -- when there's
10 differences, you tend to have issues around how do
11 you put those two things together to make them make
12 sense? But, yes, we could.

13 MR. HALL: Let me ask Mr. Bassham, you
14 first, and then I'll ask Mr. Ruelle the same
15 question.

16 It looks to me like your clean energy
17 agenda, which is robust from the -- from -- a
18 movement towards wind, closing down coal facilities,
19 openness to rooftop solar, and, also, some utility
20 scale solar -- is essentially market driven, and
21 that's not a bad thing. I mean, it is in your --
22 the company's financial interest to make those moves
23 that's a function of what's going on with the price
24 of wind and solar, what's going on with the price of
25 gas relative to coal, and then there's also

1 widespread demand, both from industrial customers
2 but also residential customers for clean energy. So
3 what you're doing is market driven. Is that a fair
4 statement?

5 MR. BASSHAM: It really is. I mean, we
6 want to listen to our customers, we want to be good
7 for the environment, but a lot of the things that
8 benefit us as companies are driven by the -- our
9 location and capacity -- availability of wind at
10 very good pricing, so you're exactly right.

11 Now, we have to make corporate decisions.
12 We have to come to the commission to talk about
13 those, but your retiring capacity -- even if it's
14 coal, you're retiring capacity, and wind has less
15 capacity ability, so our participation in the SPP
16 has helped that as well.

17 So, yes, market factors have allowed us to
18 make really good decisions for our environment and
19 our customers so we can do more faster in a cost
20 effective way, no question.

21 MR. HALL: And the same would apply on the
22 energy efficiency side. I mean, KCP&L was either at
23 the table or actually -- well, KCP&L was clearly
24 very, very, very involved in the drafting and the
25 passage of Missouri's MEA statute. And, in fact, I

1 believe the governor -- because I was with him --
2 signed the bill at KCP&L.

3 MR. BASSHAM: Yes.

4 MR. HALL: For all of the good that comes
5 out of energy efficiency, when it gets down to it,
6 it is profitable for the company to engage in the
7 MEEIA program, is it not?

8 MR. BASSHAM: If the MEEIA program is set up
9 the way it is today, the answer is yes. So one of
10 the issues that could change is if the program was
11 set up in a different way, it might not, but,
12 certainly, we're very proud of our partnership with
13 the legislature and then the commission to come up
14 with a program that we could offer energy efficiency
15 to our customers in a way that was balanced and
16 provided both customer benefits and allowed us as a
17 corporation to benefit.

18 MR. HALL: So -- and my point is that I
19 don't see the MEEIA statute or the market generally
20 changing the day after this merger of equals, if it
21 occurs, and if that's the case, then your incentives
22 will be exactly the same, and there should be no
23 change with regards to the company's focus on clean
24 energy and efficiency, et cetera. Is that correct?

25 MR. BASSHAM: That's correct.

1 MR. HALL: Mr. Ruelle, with -- do you
2 generally agree with that proposition, that your
3 company's focus on wind, in particular, but clean
4 energy generally is a market driven -- or is market
5 driven?

6 MR. RUELE: It is. And not just market
7 from our customers' perspective, but even market
8 from our shareholders' perspective. Mainstream
9 utility shareholders expect us to do more of this.
10 So, you know, the history in Kansas is a little
11 different, but, for example, there was debate 10, 12
12 years ago whether we should have a renewable
13 portfolio requirement. Well, we pursued wind before
14 we had it. Then there was a renewable portfolio
15 requirement, and we were pursuing renewable energy
16 in excess of the requirements of that. And then,
17 you know, as debates come and go, then somebody
18 decides, Maybe we shouldn't have a renewable
19 portfolio requirement, and it eventually went away
20 in Kansas, but yet, we continued to add renewable
21 energy for the reasons you mentioned.

22 MR. HALL: I'll ask the same question of
23 both of you. Are there any cultural differences at
24 all between the two companies?

25 MR. RUELE: Sure. You know, I describe

1 it like this -- and I describe it to our employees
2 like this, if I can use the metaphor: We both
3 celebrate Thanksgiving, but we don't always know not
4 to sit in Uncle John's chair when we show up at the
5 other one's house.

6 MR. HALL: I'm not sure what to do with
7 that.

8 MR. RUELLE: There's subtle differences,
9 but we're fundamentally aligned, in terms of the
10 need to have a diverse yet reliable cost effective
11 and yet increasingly clean energy portfolio. We're
12 passionate equally about safety and taking care of
13 our customers and the long-term future of our
14 companies, and we're incredibly proud of the folks
15 that we're able to attract and obtain and that do
16 all of those things for customers. But there's lots
17 of little subtle differences in how we go about
18 that. But in all of the big important things, we
19 see things eye to eye.

20 MR. BASSHAM: As the CEO going forward,
21 I'd say if you look at mergers that have failed
22 because of culture, sometimes priorities and
23 practices are not in line. And as Mark just
24 described, our priorities and our practices are in
25 line. Corporate cultures are always a bit

1 different, but we've got folks that literally live
2 and work together every day, some from Kansas that
3 drive to Topeka, and some vice versa. So we found
4 over the last two years that if there's a silver
5 lining to a two-year merger process, we have gotten
6 to know each other very well, and as the CEO going
7 forward, I am not only confident but incredibly
8 excited about our teams. Our teams our ready to run
9 a business. We're ready to go.

10 MR. RUELLE: I would add this is --
11 everyone expects us to say just what we said; right?
12 But I'll provide you some evidence.

13 If we didn't think we were compatible, we
14 each had ability to walk away from each other a year
15 ago. But instead we said, Let's find a way to make
16 this happen; it's just too important. So if at the
17 time we would have been at each other's throats, it
18 wouldn't have happened.

19 MR. HALL: How is this merger of equals
20 better than the prior transaction -- the GPE
21 acquisition -- how is that better for Missouri rate
22 payers?

23 MR. BASSHAM: Well, in its simplest terms,
24 we have the same basic combination of two companies
25 with the same basic opportunity to generate savings

1 without a merger premium, which would have required
2 an immediate \$4 billion plus in corporate debt. So
3 not only do we have more stability, actually,
4 it'll -- we might have a credit upgrade. Certainly,
5 after the tax changes -- maybe not an upgrade, but,
6 certainly, we have an incredibly strong company
7 without direct at the holding company that -- we
8 were very excited about our plan, but there's no
9 question that this stability should give regulatory
10 folks and the commissioners in both states a lot of
11 confidence over our ability not only to execute but
12 sustain and serve our customers without risk to the
13 utilities that, you know, certainly was a concern
14 the first transaction.

15 MR. HALL: And then, possibly, lastly, I
16 wanted to ask a couple of questions about the
17 provision that Mr. Opitz was asking you about in the
18 last MEEIA cycle where the company wanted the --
19 wanted to make -- express its ability to opt out of
20 the MEEIA program at any point in the process. Was
21 that interest in that provision in any way related
22 to the merger or possible acquisition?

23 MR. BASSHAM: No. Had nothing to do with
24 the merger at all.

25 MR. HALL: So was that a position that you

1 had advocated -- that the company had advocated for
2 previously?

3 MR. BASSHAM: MEEIA cycle 1? Yeah.

4 MR. HALL: I have no further questions.
5 Thank you.

6 MR. KENNEY: I have nothing.

7 MR. RUPP: Good morning, gentlemen.

8 MR. BASSHAM: Good Morning.

9 MR. RUELE: Good morning.

10 MR. RUPP: I don't really know where to
11 even start, because this is so fascinating. The
12 only analogy I can kind of come up with is that you
13 guys are getting married, you're extremely
14 compatible, and someone is trying to force you into
15 a prenuptial agreement. I mean, that's kind of --
16 you know, this is kind of -- that's just the theme
17 that keeps coming up.

18 So I guess if the coal industry came to
19 both of you and said, We want a commitment that
20 you're going to invest in coal in the future, what
21 would your response be?

22 MR. BASSHAM: No.

23 MR. RUELE: You know, each method of
24 making electricity, right, it's got its attributes.
25 And we have people that want us to do more of their

1 favorite one. Now, there's no question we're
2 matriculating two portfolio balances tipped in favor
3 of cleaner and renewable, but it doesn't happen
4 overnight. And there still are merits to some of
5 the other forms of generation. They're still
6 important to the portfolio diversity and the cost
7 and the reliability, but -- I mean, there are people
8 that knock on our door that would like us to keep
9 coal plants open longer, there are people that knock
10 on our door that thinks we should build another
11 nuclear plant. There are certainly a lot of people
12 in Kansas that think we ought to have more gas;
13 there are a lot of people who think we ought to have
14 more renewables, and then there's some that we think
15 we ought to have more renewables, but they all ought
16 to be on rooftops. And the answer is, each one of
17 those things has advantages and disadvantages, and
18 it's our responsibility to combine them in such a
19 way that we're going to the right place at the right
20 speed but not at the cost of our customers.

21 MR. RUPP: So I also was going to touch on
22 nuclear, which you did as well. And so the theme
23 I'm getting from you is, we have a phenomenal track
24 record on renewable energy. Hat tip to both you
25 guys, very impressed, and that's wonderful, but is

1 it -- is it more just an uncertainty of the
2 future -- uncertainty of, okay, small -- modular
3 nuclear reactors might come out, it might just be --
4 I mean, is it the fact that you're not wavering from
5 your track record; it's just you don't know what the
6 future is going to hold?

7 MR. RUELE: I think that's well said, in
8 that -- the one thing that everyone in this room
9 shares is the inability to predict the future. And
10 we have two companies that have a great track record
11 of taking care of their customers and doing things
12 responsibly and advancing the apparent future that's
13 in front of us, i.e., renewable energy, but imagine
14 how quickly, if you look at long histories of our
15 industry, that commitments to too much of one thing
16 could have gone sour.

17 I mean, one of my colleagues on our
18 executive team -- he's in the room, but I won't
19 identify him because he wouldn't appreciate it. He
20 says, You know, when you commit to building a
21 baseload plant, the market is going to declare you
22 and your customers, and your regulators are going to
23 declare you right and wrong maybe half a dozen times
24 between the time you start the plan and it goes
25 online. The fact is, there are uncertainties, and

1 it's our job to manage on the appropriate trajectory
2 but not be so boxed in that we actually do something
3 that's not in the public interest because we
4 committed to doing it in five years and the world
5 changed.

6 MR. RUPP: So the demand for renewable
7 energy is up, and you've recognized that through
8 your past actions of moving down that road. Your
9 load is going down and your costs are going up, but
10 as long as there's a demand for renewable energy and
11 it's still relatively the least cost option, why
12 would you not continue the track record that you
13 have been on?

14 MR. RUELE: I expect we will. But I
15 would ask that we not be ordered to do so at the
16 expense of other things that may be equally
17 important.

18 MR. RUPP: You touched briefly on the
19 culture, and I know that Mr. Bassham and I have had
20 conversations pretty much every rate case about
21 this, and, you know, I don't know your culture and
22 stuff, but, you know, if they say it's very similar,
23 that speaks very highly, because I have seen -- I've
24 seen the -- you know, I've seen the difficulties of
25 a culture of a large utility that is slow to change

1 in adapting to everything, and I think -- you know,
2 you guys have done a very good job over the last
3 several years. And maybe I just didn't see it in
4 the beginning, but I have seen tremendous strides of
5 innovation, renewable energy, the culture, the
6 safety -- every time I learn something new about,
7 you know, your organization that I'm more
8 continually impressed, and so I would hope that you
9 share those -- it seems like you do, and if you guys
10 are doing, you know, half as good a job as
11 Mr. Bassham's group, then, you know, hat tip to you
12 guys.

13 Since we're talking, electric vehicles --
14 I don't know -- what do you guys -- I am very
15 familiar with what KCP&L -- and -- especially KCP&L,
16 but what is your -- what do you have -- can you give
17 me just give a brief elevator speech on what you're
18 doing in that?

19 MR. RUEELLE: Sure. We, along with others
20 in our industry -- but I think we're probably one of
21 the early ones to do so -- our own fleet -- it
22 starts at home; right? So our own fleet, we have a
23 very large commitment to electric vehicles. It's
24 above and beyond the average for the industry, and,
25 as I said, we were an early adapter of it. We've --

1 just as we do in other things, we experiment. We've
2 tried just about every brand that is out there, and
3 some of them have kind of been dogs, and some of
4 them are absolutely wonderful vehicles. And the
5 market is sorting those out. We don't have the
6 plans yet to do as extensive of a public charging
7 system. Again, the rules in Kansas and the rules in
8 Missouri are a little different and -- but we do
9 have public chargers. We have a commitment to more
10 public chargers. We have a commitment to our own
11 fleet, not just our over-the-road fleet, but even
12 some of our off-road fleet and even parts of our
13 off-road fleet. For example, we have hybrid bucket
14 trucks, where the work of the lift and all of the
15 equipment is electric, but it's diesel powered to
16 get you where you need to go. And so it's hard to
17 imagine, other than a future with significantly more
18 electric vehicles driven by our customers, both
19 commercial, residential, and as we operate them,
20 ourselves.

21 MR. RUPP: Thank you for that. I had not
22 really looked into what you guys had done on EVs,
23 so ...

24 My motto, I guess, while I'm here, has
25 always been I want to try to give consumers more

1 convenience, more control, and more choice, and so
2 that's kind of the framework that I look at you
3 guys -- either what you're proposing -- this
4 marriage and stuff. And if you can just always
5 continue as you have, as it seems like you have --
6 and I know that you guys have to put that
7 convenience, control, and choice in the thought
8 process of everything you do, to me, the customer
9 wins, you win, and continue your track record on MEEIA
10 energy efficiency and renewable energy, and that
11 would be a phenomenal thing to see, and it would be
12 great to see, if you guys were ranked fifth in the
13 nation for your size, and other people could look to
14 you guys for some leadership.

15 MR. RUELLE: Well, we share your
16 sentiments, and they would be familiar statements in
17 our hallways.

18 MR. RUPP: Thank you.

19 MR. BUSHMANN: Recross based on bench
20 questions.

21 Commission staff.

22 MR. THOMPSON: No questions. Thank you.

23 MR. BUSHMANN: MJMEUC.

24 MS. WHIPPLE: No questions. Thank you,
25 Judge.

1 MR. BUSHMANN: Public counsel.

2 CROSS-EXAMINATION

3 MS. SHEMWELL: Mr. Bassham -- do you say
4 it Bassham or Bassham?

5 MR. BASSHAM: Bassham.

6 MS. SHEMWELL: You mentioned the consumer
7 information system. All of your companies will use
8 the customer information system; correct?

9 MR. BASSHAM: Well, the program that's
10 currently being completed is the Great Plains
11 Energy -- KCP&L program. One of the more
12 interesting phone calls when this process started is
13 the day after we announced our deal, Mr. Ruelle
14 called and said they were about to start a similar
15 project, and we were able to say, No, don't do that,
16 we'll finish ours, and then we'll roll Westar in.

17 So the current technology, as far as KCP&L
18 only, but our plan, as soon as its completed, is to
19 roll Westar into it, and it'll avoid having
20 companies right next to each other having to put in
21 the same style system.

22 Did that answer the question?

23 MS. SHEMWELL: Yes. Thank you.

24 In terms of -- can we agree that coal has
25 a reliability that solar does not, in terms of

1 producing electrons?

2 MR. BASSHAM: Yes. That was my comment
3 earlier, is that although -- you know, we still have
4 coal plants, which do emit some emissions, carbon,
5 in particular, they provide a lot of reliability,
6 and we've invested a lot into those. So a balance
7 is what's important, and we are moving towards a
8 balance, which includes much more renewables.

9 MS. SHEMWELL: And, in fact, when you say
10 you've put a lot into it, can you tell me how much
11 you've put in to your coal plants recently -- let's
12 say within the last couple of years?

13 MR. BASSHAM: The most recent would be La
14 Cygne, which we're partners on, and that was, I
15 think, a \$1.2 billion retrofit of La Cygne 1 and 2.

16 MS. SHEMWELL: I'm sorry. Did you say
17 billion?

18 MR. BASSHAM: I did.

19 MS. SHEMWELL: Thank you.

20 MR. BASSHAM: So that unit, Iatan 1 and 2
21 and, ultimately, Hawthorne, all compliant, and we've
22 done those in the last ten years.

23 MS. SHEMWELL: I was not sure. Do you
24 have other partners in some of those, like, La
25 Cygne, or is there more than just the two of you?

1 MR. BASSHAM: So in La Cygne, there's only
2 two of us. I think MJMEUC mentioned that in Iatan,
3 we do have other partners.

4 MS. SHEMWELL: And that includes KEPCo and
5 MJMEUC?

6 MR. BASSHAM: Yes.

7 MS. SHEMWELL: Okay.

8 That's all I have. Thank you.

9 MR. BASSHAM: Okay.

10 MR. BUSHMANN: Division of Energy.

11 MR. POSTON: No questions.

12 MR. BUSHMANN: Renew Missouri.

13 MR. OPITZ: No questions.

14 MR. BUSHMANN: MECG?

15 MR. WOODSMALL: Just real quick, Your,
16 honor.

17 CROSS-EXAMINATION

18 MR. WOODSMALL: Piggybacking off the
19 question that Ms. Shemwell asked you. On the
20 customer information system, you intend, as soon as
21 the merger is done, to start migrating Westar over
22 to the new Great Plains CIS system? Is that what
23 you said?

24 MR. BASSHAM: Well, I'm not sure migrate
25 under -- the system -- we'll have an addition to the

1 current system as quickly as practical, is what I
2 would say. So, obviously, we have to finish our
3 system, make sure it's running appropriately, run
4 through that process, but they are prepared to begin
5 to work with us on adding the two systems together
6 to avoid having two completely unique systems.

7 MR. WOODSMALL: So if you close this
8 merger in June of this year, would you expect that
9 to be done by the end of the year?

10 MR. BASSHAM: That, I don't know.

11 MR. WOODSMALL: Okay. Thank you.

12 MR. BASSHAM: That, I don't know.

13 MR. BUSHMANN: Redirect?

14 MR. FISCHER: Just briefly, Judge.

15 REDIRECT EXAMINATION

16 MR. FISCHER: Mr. Bassham, you discussed
17 with the commissioners market-driven decision
18 making. I would just ask you to expand on what you
19 mean by that, in terms of looking at cost and
20 benefits.

21 MR. BASSHAM: Yeah. Well, I mean,
22 obviously, we -- as Mark has already described, we
23 actually had a renewable standard at one point, and
24 it didn't matter what the cost was. We had to
25 acquire certain renewables. But as he also

1 described, that over time, we were well beyond any
2 standards and timing related to that, in large part,
3 because of market conditions. The most clear would
4 be from a wind perspective. As we made decisions
5 about spending more money on older, smaller coal
6 units, that had to meet certain standards. We could
7 also look at the availability of wind resources,
8 that when those costs are flowed through, it
9 actually reduced cost for our customer over the life
10 of the plan. And so several times we have acquired
11 wind simply because of adding wind to the portfolio
12 reduced our overall cost to our customers. That was
13 an important market condition that advantaged our
14 customer.

15 MR. FISCHER: So market-driven decision
16 making, are you saying, benefits your consumers?

17 MR. BASSHAM: Obviously. When we do an
18 integrated resource plan, and then we have
19 opportunities to fold those things in, they have to
20 be -- you know, have to be an improvement on our
21 current policy service or some requirement that's
22 needed. In this instance, it was an opportunity.

23 MR. FISCHER: Would it be market-driven
24 decision making for you to just make a firm
25 commitment to close Westar coal plants on an

1 accelerated basis without analysis of costs and
2 benefits?

3 MR. BASSHAM: No. That would be my point,
4 is that those things can be considered. There's a
5 lot of work that goes into it to make sure it's
6 appropriate for customers. And to make a commitment
7 of an amount and a time without that would be --
8 wouldn't be prudent.

9 MR. FISCHER: Would it be market-based
10 decision making to make a firm-day certain
11 commitment to construct additional renewable energy
12 projects without cost-benefit analysis?

13 MR. BASSHAM: It would not.

14 MR. FISCHER: Would it be decision --
15 market-driven decision making to make a commitment
16 in this case to expand energy efficiency programs
17 without looking at the cost and benefits of those
18 programs?

19 MR. BASSHAM: I don't think that would be
20 prudent.

21 MR. FISCHER: Would it be a market-driven
22 decision-making process to make a commitment in this
23 case to offer green power programs to customers of
24 all classes without looking at the cost and benefits
25 of that program?

1 MR. BASSHAM: I don't think it would be
2 prudent to do that without the process.

3 MR. FISCHER: Would it be market-driven
4 decision making to make a commitment in this docket
5 to develop pilot programs for shared or community
6 generation projects without looking at the cost and
7 benefits to consumers?

8 MR. BASSHAM: It wouldn't be prudent.

9 MR. FISCHER: Would it be market-driven
10 decision making to implement demonstration projects
11 for grid-connected energy storage without looking at
12 the cost and benefits of those projects?

13 MR. BASSHAM: That wouldn't be prudent.

14 MR. FISCHER: And would it be prudent for
15 you to make a commitment to develop and seek
16 regulatory approvals for implementation of grid
17 modernization programs without looking at the cost
18 and benefits to consumers?

19 MR. BASSHAM: I don't believe so.

20 MR. FISCHER: Mr. Bassham, you also
21 mentioned that you would be, on a combined company
22 basis, among the top five nation -- in the nation in
23 producing wind. Do you remember that?

24 MR. BASSHAM: Yes.

25 MR. FISCHER: Judge, I'd like to have an

1 exhibit marked.

2 (Deposition Exhibit No. 15 was marked for
3 identification.)

4 MR. FISCHER: Mr. Bassham, I'd like to
5 show you what's been marked as Exhibit 15, which is
6 taken from the work papers of Mr. Greenwood in this
7 case, and it shows a listing of the top 20
8 investor-owned utilities with wind power. Is that
9 what you --

10 MR. BASSHAM: Yes.

11 MR. FISCHER: Is indicated here?

12 Now, if you had to gather the Westar wind
13 generation that was in service at the time of this
14 exhibit and the Kansas City Power & Light wind
15 capacity, I came to an addition of 2,563 megawatts.

16 MR. BASSHAM: That's correct.

17 MR. FISCHER: If you compare that to the
18 top five other utilities that have wind power
19 capacity, where would that have us ranked as a
20 combined company?

21 MR. BASSHAM: That would make us No. 5.

22 MR. FISCHER: Is that the basis of your
23 comment about, We'd be the top five wind producer?

24 MR. BASSHAM: It is. And as Mark noted
25 earlier, we've both done additional wind since this,

1 some of the other companies may have, too, so we
2 didn't try to go beyond that. My suspicion is, when
3 we're finished, it'll actually move us up even
4 further, but on this chart, it's No. 5.

5 MR. FISCHER: Judge, I'd move for the
6 admission of 15.

7 MR. BUSHMANN: My objections?
8 Hearing none, it's admitted.

9 MR. FISCHER: Mr. Bassham, you were asked
10 some questions about green power programs,
11 generally. Are you aware that we currently have two
12 cases pending here in Missouri that do have green
13 power tariffs that are subject to the tariffs?

14 MR. BASSHAM: Yes, sir.

15 MR. FISCHER: And are we recommending
16 approval of those green power programs in that
17 context?

18 MR. BASSHAM: We are.

19 MR. FISCHER: And I believe you were asked
20 about the Kansas stipulation where there was a
21 reference to a 9.3 ROE.

22 MR. BASSHAM: Yes.

23 MR. FISCHER: Are you aware that that
24 provision allows for a range of recommendation up
25 to, say, 95?

1 MR. BASSHAM: I wasn't that clear in my
2 answer, but it was a provision which allowed for a
3 range, but that provided the minimum, that's
4 correct.

5 MR. FISCHER: Judge, with that, I would
6 conclude my redirect.

7 I would ask that our CEOs be excused from
8 staying in the hearing room, if that would be all
9 right.

10 MR. BUSHMANN: Any objection?

11 Gentlemen, that completes your testimony.
12 You are excused.

13 MR. RUELLE: Thank you.

14 MR. BASSHAM: Thank you.

15 We'll be in recess until one o'clock.

16 (A recess was taken.)

17 MR. BUSHMANN: We're ready for the next
18 witness from the applicants.

19 MR. STEINER: The applicants call John
20 Reed to the stand, Your Honor.

21 JOHN REED,
22 being first duly sworn, was examined and testified as
23 follows:

24

25

1 DIRECT EXAMINATION

2 BY MR. ZOBRIST:

3 Q. Please state your name.

4 A. My name is John Reed.

5 Q. And where do you work, sir?

6 A. I'm the CEO of Concentric Energy Advisers.

7 Q. Did you prepare in this case direct
8 testimony that has been marked as Exhibit 11 and
9 surrebuttal testimony that has been marked as
10 Exhibit 12?

11 A. Yes.

12 Q. Do you have any corrections to either your
13 direct testimony or your surrebuttal testimony?

14 A. No, I do not.

15 Q. If I were to ask you those questions,
16 would your answers be as set forth in those two
17 exhibits?

18 A. Yes, they would.

19 Q. And were those answers given under oath?

20 A. Yes.

21 Q. Okay.

22 MR. STEINER: Judge, I move for the
23 admission of direct testimony, Exhibit No. 11, of
24 Mr. Reed and his surrebuttal testimony marked as
25 Exhibit No. 12.

1 MR. BUSHMANN: Are there any objections?
2 Hearing none, those are both admitted to
3 the record.

4 MR. STEINER: And I tender Mr. Reed for
5 cross-examination.

6 MR. BUSHMANN: First cross examination
7 will be by staff.

8 MR. THOMPSON: No questions, Judge. Thank
9 you.

10 MR. BUSHMANN: MJMEUC.

11 MS. WHIPPLE: No questions, Judge. Thank
12 you.

13 MR. BUSHMANN: Public counsel.

14 MS. SHEMWELL: No questions. Thank you.

15 MR. BUSHMANN: Division of energy.

16 MR. POSTON: No questions.

17 MR. BUSHMANN: Renew Missouri.

18 MR. OPITZ: Briefly, Judge.

19 CROSS-EXAMINATION

20 BY MR. OPITZ:

21 Q. Good afternoon, Mr. Reed.

22 A. Good morning.

23 Q. Do you have a copy of your direct
24 testimony with you?

25 A. I do.

1 Q. All right. If you would turn to page 37.
2 And I direct you to lines 14 and 15.

3 Are you there?

4 A. Yes, I am.

5 Q. So you're talking about -- at that
6 line you say:

7 "It does not capture any business
8 attraction economic benefits associated with lower
9 electric rates."

10 A. That's correct.

11 Q. Is that "it" you're referring to your cost
12 savings model -- merger savings model?

13 A. Yes. It's the in-plan economic model.

14 Q. And does your model have the ability to
15 capture business attraction economic benefits, or
16 would -- or was the choice to exclude them a
17 decision made by you?

18 A. The in-plan model itself does not have the
19 ability to model business attraction in the terms of
20 new businesses moving into the territory. It's an
21 input/output model, not an econometric economic
22 forecasting model.

23 Q. So the business attraction is a -- what
24 you would consider a nonquantifiable benefit, as you
25 discussed in your testimony?

1 A. Yes.

2 Q. Do you have any way to model whether
3 there's business attraction associated with pursuit
4 of renewable energy?

5 A. Is your question within the in-plan model?

6 Q. Sure. Within the in-plan model.

7 A. No. The same answer. It does not model
8 business attraction, in terms of new businesses
9 moving into the region.

10 Q. Do you have any way outside of the model
11 to measure that?

12 A. One could develop a different model to do
13 that, presumably, but, obviously, that's not what we
14 did here.

15 Q. So would -- just as business attraction
16 economic benefits associated with lower electric
17 rates may be a nonquantifiable benefit, would you
18 agree that business attraction associated with
19 pursuit of renewable energy would be a
20 nonquantifiable benefit?

21 A. There could be a benefit associated with
22 the pursuit of renewable energy, whether it's
23 through business attraction or other forms of the
24 economic value, but, again, it's not something we
25 modeled here.

1 Q. Was it a nonquantifiable benefit that you
2 otherwise identified in your evaluation of the case?

3 A. It's a nonquantifiable benefit associated
4 with investment in or contracting with renewable
5 resources. So it's certainly something I'm aware
6 of. It's not one that we identified in the
7 testimony.

8 Q. Do you have your surrebuttal with you as
9 well?

10 A. I do.

11 Q. At page 3, lines 17 through 18, you state
12 that:

13 "There is no reason to suggest that the
14 merger would negatively impact this trend."

15 And the trend you're referring to is the
16 trend towards clean energy development in Missouri;
17 is that right?

18 A. Well, specifically, the histories -- the
19 strong histories, as I mentioned on the line before,
20 of both GPE and Westar in promoting clean energy and
21 adding additional clean energy to their portfolios.

22 Q. The first part of your testimony there,
23 you say -- you ask the question:

24 "Would reducing this trend be a detriment
25 to the public interest?" And you answer: "No, it

1 would not."

2 Can you -- so moving away from a trend
3 towards clean energy development, your testimony is
4 that that would not a detriment to the public
5 interest?

6 A. I've lost track of your question. But
7 I've said I don't agree that this would result --
8 the merger would result in the failure to continue
9 the trend towards clean energy development.

10 Q. If the merger did result in a failure to
11 continue that trend, would that be a detriment to
12 the public interest?

13 A. Not necessarily. It would be dependent on
14 why that trend did not continue. You heard earlier
15 that there are valid business reasons for pursuing
16 clean energy, and it is often -- today with wind,
17 that wind is the least cost resource available to
18 meet some needs. If that were to be reversed and
19 the cost of those resources were to increase to the
20 point where they're no longer cost effective, then
21 not pursuing them would not be detrimental to the
22 economy or to the public interest.

23 MR. OPITZ: Thank you.

24 That's all I have, Judge.

25 MR. BUSHMANN: Kansas Electric Power.

1 MR. SCHULTE: No questions.

2 MR. BUSHMANN: MECG?

3 MR. WOODSMALL: No questions.

4 No bench questions or need for recross?

5 Redirect.

6 MR. STEINER: Just briefly, Mr. Reed.

7 REDIRECT EXAMINATION

8 BY MR. ZOBRIST:

9 Q. On your surrebuttal, Mr. Opitz was asking
10 you about the testimony that the merger docket is
11 not the appropriate venue to acquire incremental
12 clean energy requirements. And then above that you
13 said there is no reason to suggest that the merger
14 would negatively impact this trend.

15 Why do you believe that?

16 A. As we heard this morning from the CEOs,
17 both companies have been aggressive in the clean
18 energy goals to date, and it often represents not
19 just a policy-based decision but also an
20 economic-based decision. I don't see either of
21 those policies or the economics changing as a result
22 of the merger. In fact, there continues to be
23 strong support for pursuing those policies, and
24 there's nothing that would suggest the merger would
25 interfere with that. So the drivers will remain the

1 drivers, and the merger is not detrimental to those
2 drivers.

3 MR. STEINER: Thank you.

4 Nothing further, Judge.

5 MR. BUSHMANN: Thank you for your
6 testimony, Mr. Reed. You may step down.

7 MR. STEINER: May he be excused, Judge?
8 He lives in Massachusetts and is anxious to get back
9 to the snow storm.

10 MR. BUSHMANN: That would be fine. Good
11 luck on your travels.

12 MR. FISCHER: Judge, are you ready to go
13 forward?

14 MR. BUSHMANN: I am.

15 MR. FISCHER: We would call Anthony Somma
16 to the stand.

17 ANTHONY SOMMA,
18 being first duly sworn, was examined and testified as
19 follows:

20 DIRECT EXAMINATION

21 BY MR. FISCHER:

22 Q. Please state your name and address for the
23 record.

24 A. Anthony Somma. Address is 818 South
25 Kansas Avenue, Topeka, Kansas.

1 Q. Are you the same Anthony Somma that caused
2 to be filed in this case direct testimony, which
3 I'll tell you has been marked as Exhibit 14?

4 A. Yes.

5 Q. Do you have any corrections or changes you
6 need to make to that testimony?

7 A. I do not.

8 Q. If I were to ask you the questions
9 contained in that document today, would your answers
10 be the same and are they true and correct to the
11 best of your knowledge and belief?

12 A. Yes, they are.

13 MR. FISCHER: Judge, I would move, then,
14 for the admission of Exhibit No. 14 and tender the
15 witness for cross.

16 MR. BUSHMANN: Any objections?

17 Hearing none, Exhibit 14 is admitted.

18 First cross will be by staff.

19 MR. THOMPSON: No questions. Thank you,
20 Judge.

21 MR. BUSHMANN: MJMEUC.

22 MS. WHIPPLE: None. Thank you, Judge.

23 MR. BUSHMANN: Public counsel.

24

25

1 CROSS-EXAMINATION

2 BY MS. SHEMWELL:

3 Q. Good afternoon, Mr. Somma.

4 A. Good afternoon.

5 Q. I'm Lera Shemwell for the Office of the
6 Public Counsel. Do you work for Westar now?

7 A. Yes.

8 Q. And your position there is --

9 A. Chief financial officer and treasurer.

10 Q. And you've become the executive vice
11 president of the -- and CFO?

12 A. Correct.

13 Q. The differences in culture that were
14 discussed earlier, how would that affect the merger
15 of these two companies?

16 A. Well, we've been dancing for a couple of
17 years. Cultures are very similar, and I think the
18 respective companies have gotten to know each other
19 very well, and I don't see the cultures being a
20 barrier to effectuating the merger.

21 Q. Do you consider this a merger of equals?
22 Westar has a million customers; KCP&L about 600,000.
23 Is this a merger of equals?

24 MR. FISCHER: Judge, I think I'll just
25 interpose an objection. I think that also includes

1 KCP&L Kansas customers in those numbers, but go
2 ahead and correct --

3 MR. BUSHMANN: Ms. Shemwell, did you want
4 to rephrase your question or ...

5 Q. (By Ms. Shemwell) Do you understand my
6 question, with Mr. Fischer's objection?

7 A. Yes, I consider this a merger of equals.

8 MS. SHEMWELL: That's all I have. Thank
9 you.

10 MR. BUSHMANN: Questions by Division of
11 Energy.

12 MR. POSTON: No questions.

13 MR. BUSHMANN: Renew Missouri.

14 MR. OPITZ: Yes, Judge.

15 CROSS-EXAMINATION

16 BY MR. OPITZ:

17 Q. Good afternoon, Mr. Somma.

18 A. Good afternoon.

19 Q. So in your testimony, you discussed the
20 company's plans to rebalance the holding company
21 equity structure; is that correct?

22 A. Yes.

23 Q. And I heard a commitment -- or a
24 indication that it was going to happen within the
25 next two years, I believe.

1 A. Yes. That's correct.

2 Q. Can you describe the process or the plan
3 that the company plans to pursue in order to
4 rebalance that capital structure?

5 A. Sure. It's outlined in my testimony.
6 Basically, the company will have \$1.25 million of
7 cash on the balance sheet when it closes, and we
8 would deploy that cash in conjunction with cash flow
9 from operations and some holding company debt to
10 purchase approximately 60 million shares back over a
11 two-year period.

12 Q. How is the determination about the -- is
13 there any risk with the -- let me ask -- are you
14 familiar with the terms in the stipulation side in
15 front of the KCC by the applicants?

16 A. I am.

17 Q. And does the -- do the conditions related
18 to the ROE or the rate moratorium impact the
19 company's ability to rebalance its capital
20 structure?

21 A. No, not at all. If anything, it gives us
22 a little more certainty, because we have agreed to
23 an ROE to be asked for in those respective rate
24 cases within a certain range.

25 Q. If the merger savings don't materialize,

1 will the company have any issue being able to pay
2 down this restructuring?

3 A. No. I think the company is going to be in
4 a pretty envious position. As I said, at closing,
5 we'll have approximately \$1.25 million of cash on
6 our balance sheet, and so the ability to buy back
7 those shares will be effectuated at the holding
8 company level. And, you know, there's always some
9 ambiguity about what's going to happen in the
10 future, and that's why we said approximately
11 60 million shares and approximately within a
12 two-year time frame. You should think about the
13 rebalancing of the capital structure as an options
14 that the company has, as opposed to an obligation.

15 Q. Were you involved in developing the
16 exchange ratio for the purchase price?

17 A. Yes, I was.

18 Q. And your testimony is that the exchange
19 ratio reflects no control premium, is reasonable,
20 and the customers will benefit from the merger; is
21 that correct?

22 A. Yes. That's correct.

23 Q. Does the ratio -- did the ratio take into
24 account any of the effects of the prior attempt at
25 the acquisition?

1 A. As explained in my testimony and by
2 others, the main purpose of the exchange ratio was
3 to try and determine a ratio whereby neither company
4 would be paid a premium. And we looked at various
5 lenses, and we tried to determine what would be each
6 company's respective stock price undisturbed by the
7 noise of the prior transaction.

8 **Q. After the -- if the merger is approved in**
9 **Missouri and Kansas, do you anticipate that the**
10 **company will have any issue attracting capital?**

11 A. No. On the contrary. I think being a
12 company that's twice the size than either one of the
13 companies individually will give us access to
14 capital on more favorable terms.

15 **Q. Does -- in your experience in seeking**
16 **capital for utility investments, does the -- will**
17 **the pursuit of clean energy development by the**
18 **holding company or the subsidiary utilities make the**
19 **capital of the holding company -- or the stock of**
20 **the holding company more attractive?**

21 A. I think as others have of testified, the
22 importance of clean energy is growing in order of
23 magnitude, and from our shareholder base
24 perspective, there is an attraction to companies
25 that are engaged in clean energy projects. So I

1 think it -- as both companies have had a wonderful
2 track record of bringing on renewable energy, that
3 then only makes the opportunity and the ability to
4 raise capital on attractive terms that much easier.

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

6 THE WITNESS: You're welcome.

7 MR. BUSHMANN: Cross by Kansas Electric
8 Power.

9 MR. SCHULTE: No cross.

10 MR. BUSHMANN: MECG.

11 MR. WOODSMALL: No questions.

12 MR. BUSHMANN: Any questions from the
13 bench?

14 MR. HALL: Good afternoon.

15 THE WITNESS: Good afternoon.

16 MR. HALL: So my understanding is that in
17 the prior transaction, Westar shareholders were
18 going to be paid roughly \$60 a share; is that
19 correct.

20 THE WITNESS: That's correct.

21 MR. HALL: And for this transaction -- for
22 this transaction, they are receiving Holdco shares
23 one for one; is that correct?

24 THE WITNESS: That's correct, Mr. Chair.

25 MR. HALL: What -- can you quantify that

1 difference? Is that possible?

2 THE WITNESS: It's difficult. Because a
3 merger of equals is neither fish nor fowl -- term of
4 art -- it's not a sale and it's not an acquisition,
5 and so it's -- the shareholders of Westar will be
6 benefit from being a 52.5 percent owner, roughly, of
7 a company that's twice the size, in that we will
8 have diversity and regulatory jurisdictions,
9 customer geography diversity, the ability to raise
10 capital on more favorable terms and have the
11 opportunity to participate in a higher earnings
12 growth profile than they would have on a stand-alone
13 basis.

14 MR. HALL: So will Holdco be a publicly
15 traded stock?

16 THE WITNESS: Yes.

17 MR. HALL: So if the merger goes through
18 and Holdco is created and then stock is issued, once
19 it's issued, then there might be a better answer to
20 my question?

21 THE WITNESS: Yes.

22 MR. HALL: Okay. Does the -- does the 4.9
23 acquisition premium in the original transaction,
24 does that in some way correlate to the difference
25 between what Westar shareholders will get under this

1 deal versus what they would have gotten under the
2 prior transaction? I know it's not exactly apples
3 to apples, but is it roughly similar?

4 THE WITNESS: I'm sorry. I'm not so sure
5 I understand the question. The \$4.9 billion dollar
6 premium in the prior transaction --

7 MR. HALL: Yes.

8 THE WITNESS: -- versus.

9 MR. HALL: In this transaction, there is
10 no acquisition premium.

11 THE WITNESS: Correct.

12 MR. HALL: So I'm trying to understand,
13 is -- does that 4.9 billion, does that in some way
14 correlate to the difference between what Westar
15 shareholders would have gotten under the prior deal
16 and what they're getting under this deal?

17 THE WITNESS: Maybe loosely, but recall
18 the prior deal was mainly an all cash transaction.
19 That would have been a taxable event. This is an
20 exchange of stock, and that is a tax-free exchange.
21 And as you point out earlier correctly, ultimately,
22 we won't know the price of the new company until it
23 starts trading on the exchange.

24 MR. HALL: My understanding is that the
25 credit rating agencies have taken a generally

1 favorable view of this transaction; is that correct?

2 THE WITNESS: That's correct. S&P,
3 Standard & Poor's, took both companies' outlook from
4 negative to positive after the merger of equals was
5 announced.

6 MR. HALL: And other credit rating
7 agencies?

8 THE WITNESS: Moody's I believe, upgraded
9 the holding company of Kansas City Power & Light,
10 Great Plains from BAA3 to BAA2.

11 MR. HALL: And what did they base that
12 analysis on?

13 THE WITNESS: They recognized the
14 financial profile of the new company going forward
15 as a very strong profile. We will have access to
16 capital on favorable terms, a better business risk
17 profile, regulatory diversity, some items that I
18 pointed out earlier.

19 MR. HALL: Could you turn to page 15 of
20 your direct testimony -- or would you, please.

21 THE WITNESS: Sure, I'm there.

22 MR. HALL: Okay. On lines 26 and 27 where
23 you are citing Wells Fargo Security's comments, and
24 I want to know what -- if you know what Wells Fargo
25 meant when it says, "While we reiterate our market

1 perform ratings, we see a potential path."

2 What does that mean?

3 THE WITNESS: So the individual research
4 firms will have different ratings on companies, and
5 Wells Fargo was saying their rating was market
6 performing, that we should perform along with the
7 utility market in general but see a path above and
8 beyond that.

9 MR. HALL: Okay.

10 THE WITNESS: Assuming regulatory
11 treatment of the merger.

12 MR. HALL: And then on page 16 of your
13 direct, when you refer to \$6 billion of investment
14 in utility infrastructure planned, is that for the
15 two companies combined?

16 THE WITNESS: Yes, it is.

17 MR. HALL: And what time frame is that
18 referring to?

19 THE WITNESS: That would be over a
20 five-year period.

21 MR. HALL: I think that's all I have.
22 Thank you.

23 THE WITNESS: Thank you.

24 MR. BUSHMANN: Recross based on bench
25 questions.

1 Staff.

2 MR. THOMPSON: No questions. Thank you,
3 Judge.

4 MR. BUSHMANN: MJMEUC.

5 MS. WHIPPLE: None. Thank you.

6 MR. BUSHMANN: Public counsel.

7 RECROSS-EXAMINATION

8 BY MS. SHEMWELL:

9 **Q. Are there other equity analysts that**
10 **follow GPE and Westar, the companies that you**
11 **haven't mentioned?**

12 A. Well, the only one I've mentioned was the
13 one in my testimony, Wells, but, yes, there are
14 other equity analysts that follow both companies.

15 **Q. And what are their comments about?**

16 A. I think they've been generally favorable
17 towards the merger.

18 **Q. Who are those companies?**

19 A. Wolf Research is one -- and I think they
20 might be mentioned in the testimony.

21 **Q. It is.**

22 A. Let's see. Barclays -- some of them had
23 to recuse themselves since their banking side of the
24 company advised the respective companies. JPMorgan.
25 Those are just a few I can name off the top of my

1 head.

2 MS. SHEMWELL: That's all I have.

3 MR. BUSHMANN: Division of energy.

4 MR. POSTON: No questions. Thank you.

5 MR. BUSHMANN: Renew Missouri.

6 MR. OPITZ: No, thank you.

7 MR. BUSHMANN: Kansas Electric Power.

8 MR. SCHULTE: No questions.

9 MR. BUSHMANN: MEGG.

10 MR. WOODSMALL: Yes, one question, just
11 for my own clarification.

12 RE CROSS-EXAMINATION

13 BY MR. WOODSMALL:

14 Q. You mentioned earlier that S&P had changed
15 its outlook on the combined company from negative to
16 positive.

17 A. Yes.

18 Q. Does that simply restore the companies to
19 where they were prior to the first iteration of this
20 acquisition occurring?

21 A. No. I believe both companies were on the
22 stable outlook. The latter is negative, which means
23 you better get your financial house in order or we
24 may downgrade you. Stable mean things are stable.
25 Positive means you're on a positive trajectory and

1 could get upgrade.

2 Q. So over the course -- before the merger,
3 both companies were stable, they went to negative,
4 and now they're at positive; is that correct?

5 A. Yes. I believe that's correct.

6 Q. Okay. And then the next step would be an
7 actual upgrade in the credit rating?

8 A. That's correct.

9 MR. WOODSMALL: Okay. Thank you.

10 No further questions.

11 MR. BUSHMANN: Redirect.

12 MR. FISCHER: Just briefly, Judge.

13 REDIRECT EXAMINATION

14 BY MR. FISCHER:

15 Q. Mr. Somma, you were asked some questions
16 from the bench regarding the benefit to Westar
17 shareholders under this deal versus the previous
18 initial transaction. Do you recall that?

19 A. Yes.

20 Q. Did you agree or disagree that Westar
21 shareholders in this proposed merger get the most
22 benefit from improvements in the long-term prospects
23 of the combined company versus the one-time payment
24 they would have gotten under the initial
25 transaction?

1 A. Yes.

2 Q. You were also asked some questions about
3 whether you considered this to be a merger of equals
4 from Ms. Shemwell.

5 A. Yes.

6 Q. And I believe she was referencing the
7 number of customers. I'd like to show you a page
8 out of Mr. Bassham's testimony that has the
9 numbers -- the correct numbers so we can get that
10 clear in the record.

11 Would you recite the number of customers
12 that we have in Kansas versus Missouri.

13 A. So Great Plains electric customers has
14 860,000; Westar 701,000. The combined company will
15 have is 1,561,000 customers.

16 Q. Does that also show the relative
17 differences in rate base between the two companies?

18 A. Yes. They're nearly identical. What, 6.5
19 million apiece.

20 Q. Okay. Regarding merger of equals, do you
21 know if this commission approved a previous
22 transaction between these two companies that
23 involved a merger of equals back in 1997?

24 A. I can't recall. That's going --

25 MR. FISCHER: Okay. Thank you. That's

1 all of the questions I have, Judge.

2 MR. BUSHMANN: Thank you, sir. You may
3 step down.

4 Is Mr. Bryant available by phone at this
5 time?

6 MR. ZOBRIST: He is, Your Honor.

7 MR. BUSHMANN: Why don't we just go ahead
8 and go into recess for A couple of minutes while we
9 get the telephone set up.

10 (A recess was taken.)

11 MR. ZOBRIST: Mr. Bryant?

12 THE WITNESS: Yes, sir.

13 MR. ZOBRIST: Hi, it's Karl Zobrist. Good
14 afternoon.

15 Would you please state your name for the
16 record.

17 THE WITNESS: Kevin Bryant --

18 MR. BUSHMANN: Before you go there, let me
19 swear him in.

20 KEVIN BRYANT,
21 being first duly sworn, was examined and testified as
22 follows:

23 DIRECT EXAMINATION

24 BY MR. ZOBRIST:

25 Q. Please state your name once again under

1 **oath.**

2 A. My name is Kevin Bryant.

3 **Q. And where are you employed?**

4 A. I'm employed by Great Plains Energy.

5 **Q. And what is your position there?**

6 A. I'm senior vice president and chief
7 financial officer.

8 **Q. Mr. Bryant, did you prepare direct**
9 **testimony in this case which we have marked as**
10 **Exhibit 3?**

11 A. I did.

12 **Q. Do you have any corrections to your direct**
13 **testimony?**

14 A. I do not.

15 **Q. And if I were to ask you those questions,**
16 **would you answers be as set forth in Exhibit 3, your**
17 **direct testimony?**

18 A. They would.

19 **Q. And were your answer given under oath?**

20 A. They were.

21 MR. STEINER: Judge, I offer Exhibit
22 No. 3, the direct testimony of Mr. Bryant, at this
23 time.

24 MR. BUSHMANN: Are there any objections?

25 Hearing none, Exhibit 3 is admitted.

1 MR. STEINER: I tender Mr. Bryant for
2 cross-examination.

3 First cross will be by staff.

4 MR. THOMPSON: I have no questions. Thank
5 you, Judge.

6 MR. BUSHMANN: MJMEUC.

7 MS. WHIPPLE: None. Thank you, Judge.

8 MR. BUSHMANN: Public counsel.

9 MS. SHEMWELL: No questions. Thank you.

10 MR. BUSHMANN: Division of Energy?

11 MR. POSTON: No, thank you.

12 MR. BUSHMANN: Renew Missouri.

13 MR. OPITZ: Yes, judge.

14 CROSS-EXAMINATION

15 BY MR. OPITZ:

16 Q. Good afternoon, Mr. Bryant.

17 A. Good afternoon.

18 Q. This is Tim Opitz. Since you can't see
19 me, I'll identify myself.

20 In your -- do you have a copy of your
21 testimony with you?

22 A. I do.

23 Q. At page 9 you discuss the consolidated
24 company's capital structure immediately after
25 consolidation, if the merger is approved.

1 A. I do.

2 Q. And you testified that the capital
3 structure immediately after merger will be in
4 line with industry norms; is that correct?

5 A. That's correct.

6 Q. Does an unbalanced capital structure make
7 the companies less attractive to investors?

8 A. Certainly, if the cost of equity is higher
9 than the cost of debt, to the extent that the
10 company carried more equity than its peer, it would
11 have a related higher cost of capital, which could
12 serve the source of differentiation between
13 ourselves and our peers.

14 Q. And is there any -- what is the interest
15 in capital investment firms in the time period
16 related to rebalancing a capital structure?

17 A. Could you restate the question?

18 Q. So the company has indicated earlier today
19 that it intends to rebalance the capital structure
20 over a period of approximately two years. Is
21 there --

22 A. That's correct.

23 Q. Is there anything magic about that time
24 period?

25 A. There's no magic.

1 **Q. Is there anything about that time period**
2 **that is particularly influential in the decisions of**
3 **financial investors?**

4 A. Well, certainly, we've made our
5 rebalancing plans known and visible to investors,
6 and we have an expectation that we can look to
7 execute that rebalancing over that two-year period,
8 as I'm sure Mr. Somma testified to. But from a
9 market perspective, allowing enough time to
10 rebalance the capital structure, but also do it in
11 an efficient manner, two years is a reasonable stake
12 in the ground. Obviously, the company will evaluate
13 market conditions and execute that plan in a prudent
14 and expeditious manner.

15 **Q. Are you familiar with the stipulation**
16 **fueled by the joint applicants in the KCC docket?**

17 A. I am.

18 **Q. Can you -- as I looked at it, I saw a**
19 **commitment for a 9.3 ROE, and I have been told that**
20 **that is not exactly the commitment. Can you explain**
21 **to me what the companies agreed to related to ROE in**
22 **that docket?**

23 A. I think -- I think the commitments in that
24 docket are probably -- those questions are probably
25 better addressed by Mr. Ives.

1 Q. You're generally familiar with the ROE
2 **figures in that agreement, aren't you?**

3 A. I'm generally familiar, correct.

4 Q. And in your experience, would that ROE
5 **agreement in the Kansas docket affect the Missouri**
6 **company's ability to attract capital?**

7 A. The Missouri company's ability to attract
8 capital -- or the ability to attract capital would
9 be a function of the entire company's financial
10 profile, which in most states would certainly be a
11 factor.

12 Q. And after the company has rebalanced its
13 **capital structure after a period of years, will that**
14 **make it -- will that increase its ability to attract**
15 **capital on more favorable terms?**

16 A. Could you restate that question,
17 Mr. Opitz?

18 Q. If -- after the company has rebalanced its
19 **capital structure, as it proposes to do, compared to**
20 **its ability to attract capital today, will that be**
21 **improved or will that be decreased?**

22 A. Shareholders take a year-end, long-term
23 perspective, and so to the extent that they are
24 aware of the company's plans to rebalance the
25 structure and has confidence in management's ability

1 to execute that rebalancing, there should be,
2 really, no difference near-term and long-term just
3 by those two distinct factors. Our investors
4 communicate a rebalancing plan so we would have
5 expectations that we would execute it.

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

7 THE WITNESS: Thank you, Mr. Opitz.

8 MR. BUSHMANN: Any questions by Kansas
9 Electric Power.

10 MR. SCHULTE: No questions.

11 MR. BUSHMANN: MEEG.

12 MR. WOODSMALL: No questions.

13 MR. BUSHMANN: Any questions from
14 commissioners?

15 MR. HALL: No questions. Thank you.

16 MR. BUSHMANN: No need for recross, then.
17 Redirect?

18 REDIRECT EXAMINATION

19 BY MR. ZOBRIST:

20 Q. Mr. Bryant, can you hear me?

21 A. I can.

22 Q. Hi. It's Karl Zobrist again. I just have
23 one question with regard to Mr. Opitz's question
24 about the post-merger cap structure of the holding
25 company. Do you remember those questions?

1 A. Yes, sir.

2 Q. And you testified that the -- post
3 closing, the capital structure would be
4 approximately 59 percent equity and 41 percent debt;
5 correct?

6 A. Correct.

7 Q. What changes will occur to the capital
8 structures of the operating public utilities in both
9 states?

10 A. There'll be no impact on the operating
11 utility cap structures due the activity as a holding
12 company.

13 MR. ZOBRIST: Thank you. Nothing further,
14 Judge.

15 MR. BUSHMANN: Mr. Bryant, that completes
16 your testimony, sir. You may now hang up.

17 THE WITNESS: Thank you, sir. I
18 appreciate the flexibility of letting me testify by
19 phone.

20 MR. BUSHMANN: You're welcome.

21 We're ready for our next witness.

22 MR. BREGMAN: Applicants call Greg
23 Greenwood to the stand.

24 GREG GREENWOOD,

25 being first duly sworn, was examined and testified as

1 follows:

2 DIRECT EXAMINATION

3 BY MR. BREGMAN:

4 Q. Good afternoon Mr. Greenwood.

5 A. Good afternoon.

6 Q. Would you please state your name for the
7 record.

8 A. Greg Greenwood.

9 Q. And by whom are you employed and in what
10 capacity?

11 A. I'm employed by Westar Energy. I'm a
12 senior vice president of strategy.

13 Q. And did you cause to be filed in this case
14 direct testimony in question and answer form
15 consisting of 27 pages?

16 A. I did.

17 Q. Do you have any changes or corrections to
18 that testimony?

19 A. I have one small correction on page 2 of
20 27 of my direct. On line 3 it says "and
21 facilities," which refers to my responsibilities in
22 the new company, and that should be stricken.
23 That's no longer part of my responsibility.

24 Q. With that change, are your answers to the
25 questions set forth in Exhibit 6 true and correct to

1 the best of your knowledge?

2 A. Yes, they are.

3 Q. And were your answers provided under oath?

4 A. Yes.

5 Q. Have you adopted that as your testimony
6 today?

7 A. I do.

8 MR. BREGMAN: Your honor, I would move the
9 admission of Applicants' Exhibit 6.

10 MR. BUSHMANN: Any objections?

11 Hearing none, Exhibit 6 is admitted.

12 Q. (By Mr. Bregman) Mr. Greenwood, did you
13 also cause to be filed in this case surrebuttal
14 testimony in question and answer form consisting of
15 15 pages?

16 A. Yes, I did.

17 Q. Do you have any changes or corrections to
18 that testimony?

19 A. I do not.

20 Q. Were your answers provided under oath?

21 A. Yes, they were.

22 Q. Do you adopt that as your testimony today?

23 A. I do.

24 Q. Are your answers to the questions in the
25 surrebuttal true to the best of your knowledge and

1 **belief?**

2 A. Yes.

3 MR. BREGMAN: Your honor, I would move for
4 the admission of Exhibit 7.

5 MR. BUSHMANN: Any objections to that
6 exhibit?

7 Hearing none, it's received into the
8 record.

9 MR. BREGMAN: And I'll tender the witness
10 for cross-examination.

11 MR. BUSHMANN: First cross will be by
12 staff.

13 MR. THOMPSON: No questions. Thank you.

14 MR. BUSHMANN: MJMEUC.

15 MS. WHIPPLE: None. Thank you.

16 MR. BUSHMANN: Public counsel.

17 MS. SHEMWELL: Thank you.

18 CROSS-EXAMINATION

19 BY MS. SHEMWELL:

20 Q. **Good afternoon, Mr. Greenwood.**

21 A. Good afternoon.

22 Q. **Would you turn to page 9, please.**

23 A. I'm there.

24 Q. **You estimated at that time that the**
25 **goodwill from this transaction would be**

1 **approximately 1.52 billion. That's correct?**

2 A. Yes, that's correct. That was the
3 estimate put forth by our witness, Mr. Busser. The
4 actual amount of that goodwill won't be known until
5 the day the transaction closes, but that was the
6 best estimate at the time.

7 **Q. And what will affect the difference -- or**
8 **I should say any difference.**

9 A. Yeah. So the goodwill is simply an
10 accounting entry, so a noncash entry to record the
11 difference in Great Plains book value and the market
12 value at the time of the transaction. So, largely,
13 the moving piece will be the market value, though
14 they both change.

15 **Q. And you're today telling the commission**
16 **under oath that neither KCP&L nor GMO or the holding**
17 **company will -- I'm adding that last -- will seek**
18 **recognition through retail rates and revenue**
19 **requirement in future cases?**

20 A. Yes. So the part that you added yourself
21 there's probably an important point. The goodwill
22 will be recorded on the nonutility holding company's
23 books, and so that noncash goodwill will not reside
24 on either the utility's books, and to the extent
25 there's any adjustment in that amount, that that

1 adjustment will happen at the holding company, not
2 at the utility companies, and none of the impacts of
3 that goodwill will ever show up on customer's rates.

4 **Q. And when you're talking about the holding**
5 **company, you're not referring to GPE but the future**
6 **holding company?**

7 A. That's correct.

8 MS. SHEMWELL: That's all I have. Thank
9 you.

10 THE WITNESS: Thank you.

11 MR. BUSHMANN: Division of Energy.

12 MR. POSTON: No.

13 MR. BUSHMANN: Renew Missouri.

14 CROSS-EXAMINATION

15 BY MR. OPITZ:

16 **Q. Good afternoon. In your surrebuttal**
17 **testimony, you suggest that the conditions proposed**
18 **by Renew Missouri's witness would be better**
19 **addressed in a rate case or an integrated resource**
20 **plan docket; is that correct?**

21 A. I don't -- maybe -- can you point me to a
22 page where I can --

23 **Q. It's your surrebuttal, page 7,**
24 **approximately lines 14 through 16.**

25 A. That's correct.

1 **Q. Can you tell me what your involvement and**
2 **experience in IRP dockets has been?**

3 A. I have not been involved in an IRP docket.

4 **Q. Okay. Why is it that you believe those**
5 **conditions would be better addressed in an IRP**
6 **docket then?**

7 A. Because the issues brought forward by
8 Renew Missouri relate to ratemaking and resource
9 planning, not to the not detrimental to the public
10 interest standard, and so I think those dockets
11 would be appropriate for many of those
12 recommendations.

13 **Q. Can you tell me what issues you believe**
14 **should be considered by the commission in making its**
15 **not detrimental to the public interest decision?**

16 A. Well, I don't pretend to be the one to
17 tell the commission what they should take into
18 consideration when looking at mergers, but I think
19 if you'll look at the Missouri merger standard as
20 it's been applied, things like the experience of the
21 utility and the industry, the history of their
22 performance in that industry, the financial health
23 of the organization, and the ability to operate
24 safely and efficiently are aspects of how the merger
25 standard has been applied.

1 **Q. Would you agree that changes to those**
2 **items in that list or to the extent that the merger**
3 **would impact the company's approach to the items on**
4 **that list should be considered by the commission in**
5 **making its public interest determination?**

6 A. Well, again, I'm not going to be the
7 person to tell the commission how they should
8 implement their standard. I do know that the --
9 there's a lot of history in this standard, both in
10 this proceeding and in the courts, and they do value
11 all of the benefits of the transaction and all of
12 the detriments, and you make sure that those
13 detriments don't outweigh the benefits of the
14 transaction, and I think the transaction we put
15 forward here, the benefits clearly outweigh any
16 detriments.

17 **Q. Would you agree to the extent any**
18 **detriments may remain, that one way to address those**
19 **is through conditions on the merger?**

20 A. Well, I think first you'd have to look
21 at -- so we're not trying to figure out is there a
22 detriment, right, we're trying to take all of the
23 benefits of the transaction and all of the
24 detriments, and if those detriments don't outweigh
25 those, then the merger should be approved.

1 MR. OPITZ: That's all I have. Thank you.

2 MR. BUSHMANN: Kansas Electric Power.

3 MR. SCHULTE: No questions.

4 MR. BUSHMANN: MECG.

5 MR. WOODSMALL: No questions.

6 MR. HALL: Just a few.

7 Good afternoon.

8 THE WITNESS: Good afternoon, Chairman.

9 MR. HALL: Could you explain to me why you
10 believe that the -- this transaction, if approved by
11 the commission and by the Kansas corporation and the
12 deal goes through, that it will accelerate -- that
13 Westar will accelerate retirement of certain fossil
14 fuel generating plants.

15 THE WITNESS: Yeah, I can give you a
16 high-level answer. Mr. Crawford can give you the
17 resource planning answer. But at a high level, when
18 we look at planning reserves on the individual
19 basis, Westar is not the lowest cost option for our
20 customers to retire those units at the end of this
21 year. It would be, like 5 to 10 or 11 years out for
22 those units. As we look at resource needs on a
23 combined basis with all of the utilities under the
24 new Holdco, we're able to find a lower cost solution
25 by retiring those Westar plants earlier than they

1 otherwise would be on a stand-alone basis.

2 MR. HALL: And what is that reduced cost
3 option?

4 THE WITNESS: The reduced cost option
5 would be to retire those units at the end of this
6 calendar year versus various times in the future --
7 and I don't have the specific years, but I think the
8 earliest retirement on a stand-alone basis would be
9 about 5 years out, maybe 6, out to 10 or 11 years,
10 if I understand your question.

11 MR. HALL: Well -- so is there -- and that
12 generation would be replaced with what?

13 THE WITNESS: That capacity would not need
14 to be replaced, and we would be able to serve our
15 customers with the remaining resources that we have
16 available to us without any --

17 MR. HALL: So it's additional generation
18 capacity that KCP&L and GMO currently have?

19 THE WITNESS: That's correct. That
20 capacity would become -- in a consolidated group
21 look, that capacity would not be needed.

22 MR. HALL: Okay. And this may be a
23 question better directed to someone else as well,
24 but in your testimony, you refer to one of the
25 benefits of the merger being less frequent rate

1 cases. Is that correct?

2 THE WITNESS: That's correct.

3 MR. HALL: Why would this merger result in
4 less frequent rate cases?

5 THE WITNESS: That is probably more
6 appropriate in the Kansas jurisdiction. With the
7 way the -- and I'm becoming familiar with Missouri
8 regulation. With the way the fuel clause works in
9 Missouri, the frequency of rate cases would be
10 unlikely to change because of the way the fuel
11 clause is renewed. The size of those rate increases
12 would be positively impacted for customers by the
13 merger in Missouri. On the Kansas side, we would
14 expect, through different riders and fuel clause
15 mechanisms that we have in Kansas, to have both less
16 frequent and lesser valued rate cases.

17 MR. HALL: And then let me spend just a
18 minute or so on the goodwill issue. So am I correct
19 that goodwill is the difference between the book
20 value of the company versus the market value of the
21 company?

22 THE WITNESS: Yeah, that's correct. And
23 just to take it a little bit further -- that value
24 exists all of the time, but it's in the time
25 frame -- when you close a transaction like this, you

1 have to recognize it on your books and records.

2 MR. HALL: And -- so the estimate of
3 1.52 million, is that based upon the current stock
4 price?

5 THE WITNESS: So it's 1.52 billion.

6 MR. HALL: Thank you.

7 THE WITNESS: Just for the record.

8 MR. HALL: No, I appreciate that.

9 THE WITNESS: So that was the calculation
10 of the stock price at the time in which that
11 calculation was made. So prior to testimony being
12 filed by Mr. Busser. That would have been the best
13 information available at the time.

14 MR. HALL: And so that is -- it's the
15 stock price of GPE; correct?

16 THE WITNESS: Yes. The accounting rules
17 have you go through -- a merger of equals, it's
18 pretty hard to figure out who the acquirer has to
19 be, but just for the accounting to work, someone has
20 to be labeled the acquirer just to be able to figure
21 out how to do the accounting entries, and when you
22 weigh all of those factors, the accounting
23 literature would have Westar would be the acquirer
24 merely for recording the transaction itself.

25 MR. HALL: And so -- I don't know if it

1 was in your testimony or someone else's, but the GPE
2 stock was at -- was at \$31 a share, at least at
3 the -- is that the number that was used to create
4 that estimate, that 1.523?

5 THE WITNESS: I'm not that familiar with
6 the transaction. I think Mr. Busser could tell you
7 what the assumed price was in that calculation, I'm
8 sure, when he --

9 MR. HALL: And how it's possibly changed,
10 if at all, since --

11 THE WITNESS: I believe he could.

12 MR. HALL: That'll all I have. Thank you.

13 MR. KENNEY: No questions.

14 MR. BUSHMANN: Recross. Staff.

15 MR. THOMPSON: No questions. Thank you.

16 MR. BUSHMANN: MJMEUC.

17 MS. WHIPPLE: None. Thank you.

18 RE CROSS-EXAMINATION

19 BY MS. SHEMWELL:

20 Q. You were talking with the chairman about
21 energy and capacity. Does GMO have sufficient
22 energy and capacity to serve its customer load or
23 its customer's needs?

24 A. I'm not familiar enough with the
25 individual utility components of capacity and energy

1 particularly on the GMO side. I'm currently a
2 Westar employee, and I'm not able to answer that
3 question.

4 **Q. Okay.**

5 MS. SHEMWELL: Thank you.

6 MR. BUSHMANN: Division of Energy.

7 MR. POSTON: No questions.

8 MR. BUSHMANN: Renew Missouri.

9 MR. OPITZ: No, thank you.

10 MR. BUSHMANN: Kansas Electric Power.

11 RE CROSS-EXAMINATION

12 BY MR. SCHULTE:

13 **Q. Just a brief clarification question.**

14 **You set -- I thought I heard your**
15 **testimony was that the companies are going to retire**
16 **several coal plants in the near future.**

17 A. If the merger closes, we'll close fossil
18 fuel plants, some of which are coal --

19 **Q. Okay.**

20 A. -- by the end of this year.

21 **Q. And am I correct that that is**
22 **777 megawatts of generated facilities?**

23 A. That's real close.

24 **Q. Okay. And was your testimony that the**
25 **companies are -- the combined company would not take**

1 **any actions to replace that capacity?**

2 A. Yeah, that -- that's right. Correct.

3 **Q. Okay.**

4 MR. SCHULTE: Thank you.

5 MR. BUSHMANN: MECG.

6 MR. WOODSMALL: Briefly.

7 RE CROSS-EXAMINATION

8 BY MR. WOODSMALL:

9 **Q. Just clarify for my own knowledge. You**
10 **were talking with the chairman about the fact that**
11 **this merger will allow for the acceleration of some**
12 **fossil fuel plants. Do you recall that?**

13 A. Acceleration of plants or retirement --

14 **Q. Retirements. I'm sorry.**

15 A. On the Westar side, it will.

16 **Q. Right. And that's because of excess**
17 **capacity on the KCP&L and GMO side?**

18 A. It's because the combined company, so all
19 three utilities, when looked at as a single
20 enterprise, have more capacity than what's needed to
21 meet our customer needs.

22 **Q. Do the companies currently do joint**
23 **capacity planning?**

24 A. No, we don't. I mean, there are rules
25 against doing that. And even in the joint IRP study

1 that we put together the vast majority of that study
2 was -- we were able to share combined information.
3 There was just a few restrictions, but absent a
4 merger and some careful steps in IRP planning, it
5 wouldn't be appropriate for two independent
6 utilities to do joint planning.

7 **Q. So if KCP&L and GMO capacity allow for the**
8 **accelerations for retirements on the Westar side,**
9 **how will KCP&L and GMO be compensated for the use of**
10 **their excess capacity?**

11 A. Well, again, KCP&L and GMO are not
12 enabling that. It's the joint companies together
13 that cause that outcome.

14 **Q. I guess I'm missing something here. So**
15 **currently Westar does not have enough capacity to**
16 **allow for the early retirement of these coal units;**
17 **is that correct?**

18 A. Westar's current plans would be to retire
19 those units later than we otherwise would with a
20 merger.

21 **Q. Okay. So it's then -- the capacity from**
22 **KCP&L and GMO that is somehow causing the early**
23 **acceleration of those retirements?**

24 A. So maybe I need to go back to my first
25 statement, which is, I'm not the IRP expert here, so

1 I can give you a 40,000-foot level.

2 **Q. That's probably what I need.**

3 A. So it's not KCP&L and GMO, it's the
4 combination of the three utilities, Westar, KCP&L,
5 and GMO together and looking at capacity needs that
6 causes the outcome of -- with the merger being able
7 to close those units earlier than otherwise on a
8 stand-alone basis.

9 **Q. So going forward post merger, the**
10 **companies will engage in joint capacity planning, is**
11 **what you're saying?**

12 A. What I'm saying is that we've agreed to at
13 least do joint planning under the Missouri
14 requirements for all of the utilities, at least in
15 2019.

16 **Q. At least in 2019?**

17 A. Correct.

18 **Q. But the retirements you're talking about**
19 **are being accelerated from 2024, 2025 time frame, is**
20 **what I'm hearing.**

21 A. That's correct. And, again, I'm not the
22 expert on the IRP. We have put forward as part of
23 this case a joint IRP study. It has some small
24 limitations on ability to share information, as I
25 understand it, related, like forward fuel forecast

1 and those sorts of things, but it is a robust study,
2 and the outcome of that joint IRP is that those
3 units can be retired at the end of this year, which
4 is accelerated from Westar's stand-alone plans.

5 Q. I guess the bottom line I need to get
6 to -- I should have done this from the beginning.
7 There won't be any use of GMO or KCP&L capacity to
8 serve Westar companies. Is that true?

9 A. I don't know how the dispatch and those
10 things work. That's way outside of my testimony.

11 Q. Okay. Who is the person that's
12 responsible for that testimony?

13 A. I think if you look at the testimony, it
14 would be witness Crawford.

15 Q. Crawford. Thank you.

16 MR. BUSHMANN: Redirect.

17 REDIRECT EXAMINATION

18 BY MR. BREGMAN:

19 Q. At the risk of further muddying the
20 record, I just wanted to just see if I can ask a few
21 questions about the retirements, just to try to help
22 clean it up a little bit.

23 Is it your understanding that what
24 allow -- what drives the retirements, at least to
25 some extent, is the need to meet the reserve

1 requirements of the southwest power pool?

2 A. Yeah. I think the reserve requirements
3 with some operational judgments at the utility
4 level, but, primarily, the utility requirements are
5 the driver.

6 Q. And, currently, Westar has its own
7 obligations to meet reserve requirements for Westar
8 and Kansas Gas and Electric Company?

9 A. Correct.

10 Q. And that's -- so that's one reserve
11 requirement. And KCP&L has a reserve requirement
12 for Kansas City Power & Light and GMO on a combined
13 basis?

14 A. I -- you know, I'm not an IRP expert. I
15 don't know how KCP&L and GMO operate.

16 Q. But it's your understanding that KCP&L and
17 GMO meet their reserve requirements either together
18 or as separate entities?

19 A. They are requirements, so it is my
20 understanding they meet them, yes.

21 Q. And after the -- after the merger closes,
22 the three utilities together will meet the reserve
23 requirement together?

24 A. That's my understanding, yes.

25 Q. So it's the ability to combine the reserve

1 requirements of all three utilities to meet the
2 loads of all three utilities that allows the
3 retirement -- the early retirement of the fossil
4 fuel plants?

5 A. Yeah, I don't think it's combining the
6 reserve requirements, it's combining the resources
7 in their capacity to meet the joint load of those
8 customers.

9 Q. To meet the joint reserve -- to meet the
10 reserve requirements on a joint basis?

11 A. To meet the load with a reserve
12 requirement intact.

13 MR. BREGMAN: Thank you. Hopefully, I've
14 helped.

15 That's all I have.

16 MR. BUSHMANN: Thank you for your
17 testimony, Mr. Greenwood. You may step down.

18 THE WITNESS: Thank you.

19 MR. ZOBRIST: The applicants would call
20 Darrin Ives to the stand.

21 DARRIN IVES,
22 being first duly sworn, was examined and testified as
23 follows:

24 DIRECT EXAMINATION

25 BY MR. ZOBRIST:

1 Q. Please state your name.

2 A. Darrin Ives.

3 Q. By whom are you employed?

4 A. Kansas City Power & Light Company.

5 Q. And what are your positions there?

6 A. I'm vice president of regulatory affairs
7 for KCP&L and GMO.

8 Q. Did you prepare direct testimony in this
9 case which has been marked as Exhibit 9?

10 A. I did.

11 Q. And did you prepare surrebuttal testimony
12 marked as Exhibit 10?

13 A. Yes, I did.

14 Q. Do you have any corrections to either
15 Exhibit 9 or Exhibit 10?

16 A. Not that I'm aware of.

17 Q. If I were to ask you those questions,
18 would your answers be as set forth in those two
19 exhibits?

20 A. Yes, they would.

21 Q. Did you have any corrections to those --
22 or did I just ask you that?

23 A. Same answer, I do not.

24 Q. Okay. All right.

25 MR. ZOBRIST: Judge, I move the admission

1 of Exhibit 9 of Mr. Ives and surrebuttal testimony,
2 Exhibit 10.

3 MR. BUSHMANN: Are there any objections?
4 Hearing none, they are admitted.

5 MR. STEINER: Thank you, Judge. And I
6 tender Mr. Ives for cross-examination.

7 MR. BUSHMANN: Cross by staff.

8 MR. THOMPSON: No questions, Judge. Thank
9 you.

10 MR. BUSHMANN: MJMEUC.

11 MS. WHIPPLE: None. Thank you, Your
12 Honor.

13 MR. BUSHMANN: Public counsel.

14 MR. POSTON: No. Thank you.

15 MR. BUSHMANN: Division of Energy.

16 MR. POSTON: No, thank you.

17 MR. BUSHMANN: Renew Missouri.

18 MR. OPITZ: Yes, Judge.

19 CROSS-EXAMINATION

20 BY MR. OPITZ:

21 Q. Good afternoon, Mr. Ives.

22 A. Good afternoon.

23 Q. You are the, I guess, witness best able to
24 answer questions about the KCC stipulation; is that
25 correct?

1 A. Yes, I am.

2 Q. Can you explain to me a little more how
3 that ROE agreement works in the Kansas case?

4 A. I can try. The agreement between the
5 signatories to that -- that stipulation is that the
6 parties will recommend a 9.3 ROE in the respective
7 rate cases in Kansas, and if they choose to include
8 a range in their position, their range will be
9 banded by 20 basis points above or below that 9.3
10 recommendation. I might add that 9.3 is KCP&L's
11 current ROE, and Westar effectively has a 9.35,
12 although they achieved theirs through settlements of
13 their amounts paid. So it's very consistent with
14 past practice of the state.

15 Q. I believe you were appointed as a --
16 someone to ask IRP questions to, as well. Is that
17 correct?

18 A. I may not be able to go much beyond what
19 Mr. Greenwood was able to. Happy to try and answer
20 questions, but we do have Mr. Crawford here, as
21 well, who conducts those analyses on our behalf.

22 Q. In your surrebuttal testimony -- do you
23 have a copy of that with you?

24 A. I do.

25 Q. One of your modifications -- you made some

1 modifications in that surrebuttal to the conditions
2 previously adopted by the applicants; is that
3 correct?

4 A. We did.

5 Q. And one of those was to include Westar in
6 the 2019 integrated resource plan updates of KCP&L
7 and GMO.

8 A. That's correct.

9 Q. Is your understanding that the annual
10 updates for the IRP's different than the triannual
11 plans for the IRP?

12 A. It is different, although I would suggest
13 that Mr. Crawford could probably elaborate that they
14 are substantially similar, in terms of the detail
15 that we need to prepare for those updates.

16 Q. And what are the -- if they're
17 substantially similar, are there any differences
18 that you know off the top of your head that you can
19 point out?

20 A. Well, you may have gone past my level of
21 detailed knowledge on that.

22 Q. Are you familiar with the testimony of
23 Renew Missouri's witness Karl Rabago?

24 A. I have read it.

25 Q. And it's my understanding that the

1 **company's joint applicants have opposed all of the**
2 **conditions he proposed in his testimony?**

3 A. We've opposed them in the context of being
4 necessary to demonstrate that there's no net
5 detriment in Missouri, not opposed them more
6 generally.

7 Q. One of his conditions was related to a
8 **commitment to initiate a comprehensive transparent**
9 **parallel integrated resource planning process for**
10 **the combined companies and to make provisions for**
11 **stakeholders to submit a reasonable number of**
12 **alternative development scenarios for evaluation of**
13 **the planning effort.**

14 **Is that something that would be done as a**
15 **part of the agreement for including Westar in the**
16 **2019 update?**

17 A. It's my understanding that as we work
18 through updates to the IRP process in Missouri, that
19 they start with the discussion with stakeholders in
20 advance of making our submission on those, and then
21 throughout the process, where those updates are
22 reviewed by stakeholders there are special
23 contemporaneous issues that can be proposed by
24 parties of those proceedings and ultimately
25 evaluated by the commission as to whether those are

1 issues that should be addressed on a going forward
2 basis.

3 So that's a long answer to -- I think
4 there will be a process in place for stakeholders to
5 have input into that IRP process in review of that.

6 **Q. Would the company be -- if you can**
7 **answer -- would the company be opposed to requiring**
8 **that the company has a condition that the applicants**
9 **allow stakeholders to submit a reasonable number of**
10 **scenarios to be analyzed?**

11 A. Well, again, I think -- there's a process
12 in place in front of this commission for addressing
13 that, and we don't think it's necessary in this
14 merger proceeding to establish something like that
15 to demonstrate that there's no net detriment. But
16 we do think there's a process that that will incur
17 under.

18 **Q. We have heard the company's position that**
19 **market-based analysis is the prudent way to look at**
20 **these kinds of additions and generation decisions.**
21 **Is that -- is that what you recall hearing?**

22 A. I remember that discussion. I think that
23 might be oversimplified. Market-based evaluation is
24 certainly a consideration. We look at cost-benefit
25 analysis, you know, net present value of revenue

1 requirements to our customers over a planning
2 horizon, a number of factors weighing into long-term
3 supply capacity decisions.

4 Q. In the update in the 2019 IRP filing that
5 the company has, in your surrebuttals, indicated it
6 would do, would the applicants analyze the net
7 present value revenue requirement on a unit-by-unit
8 basis for continuing to operate the generating units
9 versus replacing each unit in light of all of the
10 environmental capital fuel and O&M expenses?

11 A. That's a difficult question. I think the
12 short answer is we evaluate a number of alternatives
13 across the supply portfolio. We look at the
14 piecemeal on a unit-by-unit testimony. As far as
15 the environmental cost, I think we've heard
16 testimony here that substantially all of our large
17 base load facilities have addressed environmental
18 costs that are in front of those units, and the type
19 of units that we, as well as Westar, are talking
20 about retiring are smaller units that -- that it
21 doesn't make economic sense to do the environmental
22 retrofits in light of the other opportunities out
23 there for renewables or other resources.

24 MR. OPITZ: I think that's all I have.
25 Thank you.

1 THE WITNESS: Thank you.

2 MR. BUSHMANN: Kansas Electric Power.

3 MR. SCHULTE: No questions.

4 MR. BUSHMANN: MECG.

5 MR. WOODSMALL: No questions.

6 MR. BUSHMANN: Questions from the bench.

7 MR. HALL: I have a few.

8 Good afternoon.

9 THE WITNESS: Good afternoon, Chairman.

10 MR. HALL: Transition costs, I'm looking
11 at the second stipulation and agreement, and I'm
12 wondering, were those numbers negotiated, or are
13 those your actual estimate of transition costs and
14 the parties agreed that you should recover them over
15 this ten-year time period?

16 THE WITNESS: Those were negotiated
17 outcomes. In essence, what we did -- and we did the
18 same thing in our nonunanimous stipulation in
19 Kansas, is we agreed to seek no more than total
20 company, \$50 million of transition cost. Those
21 numbers that are in the Missouri agreement are an
22 allocated share of that \$50 million down to a
23 jurisdictional utility level, and then we also
24 agreed to amortize those for recovery over ten
25 years. We did that in both states.

1 I might just add that our current
2 projected view of transition costs that have already
3 been incurred or will be incurred to bring the
4 utilities together is around \$78 million, so it's a
5 fairly sizable commitment by the companies for our
6 shareholders to pick up a piece of those.

7 MR. HALL: And what is the bulk of those
8 costs?

9 THE WITNESS: It -- early on -- so the
10 cost that we spent to date has been around planning
11 for the most part. It's utilization of some
12 consultants and our internal resources to put those
13 efficiency charters together so we can identify
14 where the merger savings are going to come from to
15 put together our longer term business and
16 integration plans so we know how to execute to
17 achieve those. So it's all of the costs to get that
18 planning ready to go, as I think one of our
19 witnesses said, to get us to the point where our
20 employees are ready to go execute. There will also
21 be some cost to integrate IT systems. Some of that
22 will incur after we get to Day 1 and we start that
23 work. Somebody mentioned earlier today the billing
24 system, the fact that we're working on the upgrade
25 to our billing system for KCP&L and GMO today. When

1 we get that done and implemented, we'll use that as
2 a platform to move Westar onto. So there'll be some
3 cost to do that, but that also unlocks savings --
4 because they mentioned we won't have two separate
5 full platforms for billing between Westar and us, so
6 it's things like that.

7 MR. HALL: So based on some
8 representations from your counsel, it is my
9 understanding that you are expecting a decision in
10 Kansas sometime in June; is that correct?

11 THE WITNESS: Currently, we're expecting
12 that on June 5th. They would have the opportunity
13 to move that out slightly and still meet their
14 300-day statutory requirement for approval, but the
15 schedule is set for June 5th, and with the progress
16 over in that state, we think they'll meet that.

17 MR. HALL: And what day is the 300th day,
18 if you know?

19 THE WITNESS: I think it's, like, 21 days
20 after that.

21 MR. HALL: What --

22 THE WITNESS: But, again, I don't expect
23 them to use that, based on the status of the
24 proceeding right now.

25 MR. HALL: If this commission wanted to

1 see what conditions Kansas put in place before we
2 made a decision on the application and any possible
3 conditions, would that be a problem for the company?

4 THE WITNESS: I was thinking about that
5 when there were discussions earlier today. I guess
6 it is our hope and belief that this commission won't
7 need to do that. The practical answer would be that
8 could delay close for upwards of a month from what
9 it otherwise would be if we were closing based upon
10 receipt of the Kansas order. A little nuance for
11 Kansas versus this commission's treatment on orders
12 is when they issue their order, it's effective
13 immediately. So under contract, we would close
14 within roughly three days after receipt of that
15 order, if all other orders were received. And over
16 here you guys have a little bit of a cure period of
17 10 to 30 days after an order comes out before it
18 would be effective.

19 So as I thought about how to answer that
20 question for you, I was hoping you would ask. You
21 know, I think -- there are lots of other avenues for
22 this commission to evaluate if there were a
23 detriment and address it with your authority that's
24 already in place. We have two rate cases on file
25 right now for the Missouri utilities that would be

1 an available place to address, if there were
2 detriment that came out on the Kansas side. And I
3 think the reality is, with the settlement that we
4 have over in Kansas, we have the consumer advocate
5 office, we have the staff, we have a number of
6 parties -- probably upwards of eight parties that
7 have signed on that. I think it gives you a pretty
8 good indication of the commitments and the
9 conditions that are likely going to be in front of
10 that commission.

11 MR. HALL: So you anticipate being able to
12 close three days after the Kansas corporation issues
13 its ruling.

14 THE WITNESS: If all other approvals are
15 received, we could do that, yes.

16 MR. HALL: Well -- and the only other
17 approval that is pending is this one; is that
18 correct?

19 THE WITNESS: I'm glad you brought that
20 up, too. There are two others that are still
21 outstanding. The FCC and the nuclear regulatory
22 commission have both been filed. They are awaiting
23 order. We expect them as early as the end of this
24 month, and we actually received approval from both
25 of those -- both of those bodies in Round 1, so we

1 have no reason to expect we won't receive them
2 again.

3 MR. HALL: Do you know what is the current
4 stock value of GPE price -- current price of the GPE
5 stock?

6 THE WITNESS: We're in the \$30 range. We
7 kind of fluctuate, 30 to 31 right now.

8 MR. HALL: And is that \$31 amount the
9 amount that was used to calculate the 1.52 billion
10 of goodwill?

11 THE WITNESS: I don't remember exactly.
12 It's in that range, though. It's not far from that.
13 You know, Mr. Greenwood mentioned -- and it's worth
14 repeating -- that the other side of the equation
15 that impacts that 1.52 is changes in book value. So
16 as time passes from that calculation, there's also
17 changes in that side of the equation that will
18 impact us when we make that final calculation.

19 MR. HALL: My memory in KCP&L's last rate
20 case is this commission determined that it was
21 appropriate to use a consolidated capital structure
22 to set rates for KCP&L; is that correct?

23 THE WITNESS: I think you did, although --
24 don't hold me to it -- there might have been
25 discussion about there not being that much

1 difference in that proceeding between the
2 consolidated capital structure and --

3 MR. HALL: I believe that's true, but
4 it -- I still think that the -- this commission
5 determined it was appropriate to use the
6 consolidated capital structure. Do you remember if
7 that's correct or not?

8 THE WITNESS: I think that's right,
9 although I think there might have been discussion,
10 at least in an agenda session with this commission,
11 that they may reevaluate that position post merger,
12 depending on the facts and circumstances at that
13 point.

14 MR. HALL: Well, if this merger goes
15 through and Holdco comes out with 59 percent equity,
16 we would certainly would have to revisit it, would
17 we not?

18 THE WITNESS: Not necessarily.

19 So I do think --

20 MR. HALL: You might change your position
21 on that?

22 THE WITNESS: No. I do think the
23 important part of that is, is we've been very clear,
24 and the CFOs have as well, you know, our long-term
25 plan is to balance the Holdco capital structure and

1 have it consistent with the operating utilities,
2 because that really is the core of our business as a
3 Holdco going forward, that the cash and the equity
4 from Round 1 is what has the new Holdco at that
5 59 percent on Day 1, so it makes sense to get it
6 back in line, and we intend to do that. And then we
7 think you won't see a material difference between
8 the opco and the Holdco as we go through future
9 cases.

10 MR. HALL: My understanding is, also, that
11 one benefit from approving this transaction would --
12 could be less frequent rate cases; is that correct?

13 THE WITNESS: Yeah. I think that's right.

14 MR. HALL: But you would still have to
15 file, as required by the FAC statute; is that
16 correct?

17 THE WITNESS: We would, which -- you know,
18 I think, unfortunately, our history over the last
19 few years in Missouri has been more frequently
20 filing than the FAC requirement, and it's because of
21 some of the historical issues around the lag that
22 we've discussed in a number of rate cases. But one
23 of the things we've talked about as we unlock
24 savings from the transaction is it'll allow us to
25 earn closer to our authorized returns in our states

1 and keep us from needing to come in and address
2 those shortfalls as frequently.

3 MR. HALL: Do you have any kind of
4 estimate at this point as to how less frequent rate
5 cases would be if this transaction is approved?

6 THE WITNESS: Well, in this docket, as
7 well as in Kansas, we provided pro forma financial
8 models for the parties to evaluate of what the
9 combined company's plans were over the next five
10 years, and those plans running out through 2022 did
11 not require a case in either Kansas or Missouri,
12 other than the need to come in and address the FAC.
13 We don't have, you know, ten years or longer plans
14 to look at that from there forward.

15 MR. HALL: All right. So now in the
16 Kansas stipulation, you agreed to a rate
17 moratorium -- a five-year rate moratorium; is that
18 correct?

19 THE WITNESS: Yes, we did.

20 MR. HALL: So, essentially, you agreed to
21 not come in for a rate case for five years?

22 THE WITNESS: Yeah. And it's two
23 directional, so there's also no show cause
24 opportunity for the signatories that are
25 non-applicants.

1 MR. HALL: So I understand that you could
2 not have made that commitment here because of the
3 FAC requirement, but you could have made a
4 commitment that you would not seek a rate increase
5 for five years. I mean -- because it is possible to
6 file a rate case and file tariffs that don't
7 increase rates; right?

8 THE WITNESS: That's right. So in Kansas,
9 much like over here, our settlement over there was a
10 result of a negotiation between the positions of
11 parties, and there were a number of parties in the
12 Kansas proceeding that were pursuing rate
13 moratoriums, and, you know, rate earnings sharing
14 plans and various things that when we bundled
15 everything together and sat down and had those hard
16 negotiations, we came to an outcome that ended up in
17 a moratorium to help parties get to the finish
18 line on that settlement. In this proceeding, we did
19 not have that push from parties. We had other
20 things that parties were interested in, as far as
21 the financial commitments, and parties were
22 interested in limitations on transition cost and the
23 guarantee of upfront bill credits, and we took care
24 of those in this negotiation.

25 There's just different views, different

1 constructs, different parties' positions that led
2 us, necessarily, to different settlement outcomes in
3 each state.

4 MR. HALL: So what do you think is the
5 main thing that Missouri rate payers got out of the
6 stipulation that Kansas rate payers did not get?

7 THE WITNESS: So the easy one to think
8 about is the ability to review the outcome of the
9 merger savings earlier than Kansas has. Kansas has
10 a five-year moratorium. They won't have the
11 opportunity to evaluate those growing incremental
12 merger savings and put those into customer's rates
13 until after the moratorium, because the FAC filing
14 will be about a four-year earlier of putting those
15 growing savings into Missouri's customer rates.

16 MR. HALL: In Kansas, can you be forced
17 into a rate case?

18 THE WITNESS: No. It's two-way
19 moratorium. It does have some limited force majeure
20 language in it to make sure that if there are
21 macroeconomic changes, we can address that in front
22 of the commission.

23 MR. HALL: The Kansas stipulation includes
24 a provision -- and I don't know if it's just the
25 first year or beyond. I have a hard time reading

1 this -- that all savings had to ensure to the
2 benefit of rate payers.

3 THE WITNESS: So it's a first year
4 condition, and it's because similar to here, we
5 have -- Westar has a rate case on file in front of
6 Kansas, and we have a commitment to file in the next
7 few months in Kansas, from KCP&L's perspective. We
8 have amounts -- Westar included an amount of savings
9 that it had in its case. We have one that we plan
10 to put in the case over in Kansas. What the parties
11 in Kansas did, is they looked at that, and then they
12 also looked at that pro forma financial model that I
13 talked about earlier, and they looked at what we
14 said in that model the first-year savings would be,
15 and they said, If you don't prove up that amount of
16 savings in your rate cases, we'll impute it to get
17 you to that pro forma financial model.

18 MR. HALL: So what kind of commitment did
19 you make in either of the stipulations here as to
20 what to do with those cost savings?

21 THE WITNESS: So, again, it's the
22 difference in parties' positions between the two
23 cases. We did not have any parties that were
24 pursuing that item specifically as we worked through
25 negotiations here. I can tell you that both of the

1 cases on file here have included amounts of merger
2 savings based upon the labor head count that we have
3 been holding open and have already taken advantage
4 of, so there are already amounts in these cases
5 filed in Missouri that parties will be able to
6 evaluate in the context of those cases.

7 MR. HALL: So there was no commitment, in
8 other words?

9 THE WITNESS: No settlement that addressed
10 a commitment in that regard.

11 MR. HALL: Do you believe that it is ever
12 appropriate for a company to, for lack of a better
13 term, keep savings, as opposed to those savings
14 automatically -- not automatically -- but those
15 savings reducing the revenue requirement? Is there
16 ever a time when savings should not 100 percent
17 benefit rate payers?

18 THE WITNESS: Well, there is. Our
19 proposal -- and it's been consistent through both
20 rounds here, was whatever was available at the time
21 that the cases were filed would be identified and
22 would go back to customers, and then, basically,
23 that would be what's in their rates until the next
24 time we come in; correct?

25 MR. HALL: Right.

1 THE WITNESS: But there are
2 circumstances -- and it used to happen in Kansas,
3 where the commission would allow recovery of an
4 acquisition premium. And when they did that, they
5 afforded the companies to share or participate in
6 the savings in order to make sure that customers got
7 benefits in excess of that acquisition premium
8 recovery, but they also identified it as sharing
9 back to the utilities.

10 So there are times when it would be
11 appropriate. It's not our structure here and not
12 what we've proposed here.

13 MR. HALL: Can you envision a scenario at
14 a rate case near Missouri that you -- the company
15 would advocate for a position that would involve
16 retaining some of those cost savings?

17 THE WITNESS: No. And one of the
18 commitments that the staff asked for in our
19 settlement document was a provision that said we
20 would not in any future proceeding ask for a company
21 sharing of available benefits.

22 MR. HALL: Okay. Where is that, because
23 that's actually what I was wondering if it was in
24 there or not.

25 THE WITNESS: Yeah. It's in the -- I'll

1 try and find the Missouri settlement here.

2 So it's paragraph 14 on page 6 of the
3 Missouri stipulation agreement, it says:

4 "Neither KCP&L nor GMO shall propose any
5 adjustment to increase cost of service in current or
6 future rate cases in order to share the benefits of
7 Westar transaction synergies between rate payers and
8 shareholders in setting rates."

9 MR. HALL: And I guess I don't really
10 understand what the word "increase" means there.
11 Because there's going to be arguably a reduction in
12 the cost of service as a result of the synergies,
13 and so what I'm wondering is, is there a commitment
14 that those reductions will all go to rate payers as
15 opposed to shareholders?

16 THE WITNESS: Yeah, this may not be the
17 exact wording you were thinking, but that's what
18 this does. Because all of the reductions would
19 reduce cost of service, and if we made a request to
20 share in some of those reductions, that would
21 necessarily increase the cost of service if we asked
22 to share it.

23 MR. HALL: Okay.

24 And then turning to that stipulation and
25 agreement -- and I had some questions, I guess, with

1 your counsel. I'm a little confused about Exhibit A
2 versus Exhibit B.

3 THE WITNESS: Sure. So Exhibit A is the
4 clean version of the final conditions that we agreed
5 to and attached. What we did in Exhibit B to try
6 and be -- allow people to trace changes was we
7 redlined the commitments that we provided in our
8 initial application to what the outcome was of
9 Exhibit A.

10 MR. HALL: Okay.

11 THE WITNESS: So you could see what
12 changed as a part of the negotiation.

13 MR. HALL: So Exhibit B was part of your
14 application, and Exhibit A -- well, Exhibit A is
15 what you -- is part of the stipulation. Exhibit B
16 tracks the differences between what was in the
17 application and what was agreed to.

18 THE WITNESS: That's correct. We were
19 trying to make it easier. Sorry for the confusion.

20 MR. HALL: I may be the only one that was
21 confused.

22 So like on page 3, Exhibit B versus
23 Exhibit A. On Exhibit B "and ring fencing" is
24 crossed -- is redlined out. And it still exists on
25 page 3.

1 THE WITNESS: It does. You caught the one
2 error that we identified in our process. So I think
3 I address it -- I think I addressed it in my
4 testimony in surrebuttal, and I think Ms.
5 Dietrich addressed it also --

6 MR. HALL: Okay. I missed it there.

7 THE WITNESS: -- where we said that ring
8 fencing in the final, that should have been
9 stricken.

10 MR. HALL: Okay. And then who -- why did
11 provisions 10, 11, and 12 get removed?

12 THE WITNESS: So those provisions were
13 provisions that when -- and I'll obviously let
14 Ms. Dietrich address it as well, but when staff
15 completed their review of the conditions, and we
16 were negotiating a final set, they determined that
17 those were not necessary for this transaction
18 because they were more geared towards the Round 1
19 transaction that had a lot of debt and had a lot of
20 other financial difference than this transaction.

21 MR. HALL: So those came out at staff's
22 request?

23 THE WITNESS: Yes, sir.

24 MR. HALL: And is that the same on 14 and
25 15?

1 THE WITNESS: Yes, it is.

2 MR. HALL: Okay. I think that's all I
3 have. Thank you.

4 THE WITNESS: Thank you.

5 MR. RUPP: Good afternoon.

6 THE WITNESS: Good afternoon.

7 MR. RUPP: In looking at Renew Missouri's
8 proposal -- or recommendation or -- whatever you
9 want to call their position statement, would the
10 company have any problem, you know, doing a
11 demonstration program for grid-connective energy
12 storage as a stipulation of us approving?

13 THE WITNESS: I don't think, generally, we
14 have any problem with doing that. We wonder if it's
15 the right forum to place a condition on it. I mean,
16 you know, it takes the input and assessment,
17 generally, of a lot of parties when we work through
18 something like a pilot or a demonstration, and a lot
19 of people interested in the cost, a lot of people
20 interested in the number of customers and the areas
21 that will be placed, that will be impacted, and
22 folks haven't had that forum to have that discussion
23 with us on that yet. We just think it's -- you
24 know, while probably a worthy cause and something
25 that fits right in the wheelhouse with where we've

1 innovated over the last number of years, that that
2 will happen probably independently of being ordered
3 as a condition to meet no net detriment.

4 MR. RUPP: But if it were a condition, it
5 would be a worthy cause?

6 THE WITNESS: If done in the right place
7 at the right cost.

8 MR. RUPP: What about doing a solar study
9 and having it managed by the commission staff or
10 providing funding for that?

11 THE WITNESS: I just -- I think it's the
12 wrong forum. I think there are better places for
13 this commission to pursue that, whether it be
14 through working dockets or other things where we
15 have the input of the whole ring of stakeholders in
16 that.

17 MR. RUPP: Another worthy cause?

18 THE WITNESS: Possibly. Although --
19 although I think the evaluation of the impact on
20 cost of service and the revenue requirements the
21 right way to evaluate solar.

22 MR. RUPP: And then, finally, a commitment
23 to refrain from implementing new tariffs and rate
24 designs that would adversely impact the development
25 and adoption of distributed energy resources. What

1 are your thoughts on that?

2 THE WITNESS: That that commitment could
3 go a lot of different ways, and one way it could go,
4 is it could be in contradiction to what might be the
5 outcome from an existing working docket that's going
6 on right now that this commission has asked the
7 staff and parties to evaluate. So I wouldn't want
8 to make a commitment that somehow doesn't allow us
9 to do things that come out of a working docket
10 that's already in front of this commission.

11 MR. RUPP: Those are the three I had.
12 Thank you.

13 MR. BUSHMANN: Recross based on
14 commissioner questions?

15 Staff?

16 MR. THOMPSON: No questions. Thank you,
17 Judge.

18 MR. BUSHMANN: MJMEUC.

19 MS. WHIPPLE: No, thank you.

20 MR. BUSHMANN: Public counsel?

21 RECCROSS-EXAMINATION

22 BY MS. SHEMWELL:

23 Q. Mr. Ives, if I quoted that GPE stock is
24 currently at 30.06, does that sound reasonable to
25 you?

1 A. Thirty to 31 is where we've been hovering
2 for a little bit.

3 **Q. For months; right?**

4 A. Yeah. There may have been a couple of
5 short-term deviations outside of that, but,
6 generally, we've been in that range.

7 **Q. You talked about Kansas having a policy of**
8 **at least some recovery of acquisition premiums.**
9 **Missouri has a policy of no recovery of acquisition**
10 **premiums; right?**

11 THE WITNESS: They do. And I might
12 clarify that Kansas has historically done that.
13 It's not part and was never part of our proposal in
14 Kansas, even in Round 1.

15 **Q. When you say "done that," you mean include**
16 **recovery of acquisition premiums in rates?**

17 A. And in transactions that happened a number
18 of years ago, yes.

19 **Q. How does that differ from in rates?**

20 A. I don't think it does. I just clarified
21 that it was in transactions that happened a number
22 of years ago.

23 MS. SHEMWELL: Thank you.

24 MR. BUSHMANN: Division of Energy.

25 MR. POSTON: No questions.

1 MR. BUSHMANN: Renew Missouri.

2 RECROSS-EXAMINATION

3 BY MR. OPITZ:

4 Q. Commissioner Rupp was asking you about the
5 value of solar study. Do you recall those
6 questions?

7 A. I recall that question, yes.

8 Q. And I believe that -- and correct me if I
9 mischaracterize it. I believe you said that it's
10 your preference that an evaluation of solar rate
11 design be done based on cost of service in the
12 revenue requirement?

13 A. Yes. I believe that's the right way to
14 look at that.

15 Q. What is your understanding of the
16 difference between doing a cost of solar with that
17 method versus performing a value of solar study?

18 A. I'll caveat this by saying I'm not a value
19 of solar expert, but it's my understanding that some
20 value of solar studies across the United States have
21 attempted to evaluate benefits that go beyond what
22 is typically looked at as a cost of services or a
23 component that would impact revenue requirements,
24 and I think that goes beyond the way we set rates in
25 this state, which is based on cost of service. But,

1 regardless, there's probably a better forum to have
2 those discussions for this state than this merger
3 proceeding.

4 **Q. In response to the rate design questions**
5 **from Commissioner Rupp, you indicated that there was**
6 **a working docket pending that you didn't want to**
7 **preclude with any agreements not to pursue a rate**
8 **design. Do you recall that?**

9 A. I do recall that.

10 **Q. And can you, I guess, for the record,**
11 **clarify which docket that is?**

12 A. I was trying to recall when I talked to
13 the commissioner that the -- the number of that
14 docket, and I really can't recollect. I know there
15 was just recently a discussion probably within the
16 last month in that proceeding. I think Dr. Rabago
17 actually came and spoke at that docket within the
18 last month or so, but I don't remember the number.

19 **Q. Was it the EW20170245 emerging issues and**
20 **utility regulation docket?**

21 A. That sounds right, but I don't remember
22 the number. That sounds like the docket I was
23 referring to.

24 **Q. And was there a particular discussion that**
25 **occurred in that docket that you believe would be**

1 **impacted by an agreement to avoid rate design**
2 **changes related to distributed generation?**

3 A. I think there are a number outcomes that
4 could come out of that docket that may or may not
5 impact rate design, and making a commitment here on
6 one hard and fast treatment on rate design may or
7 may not impact it. My point is that this is not the
8 docket at this time to address something like that
9 when we have things like these working dockets and
10 other avenues for the broad range of stakeholders to
11 evaluate those exact types of issues.

12 MR. OPITZ: That's all I have. Thank you.

13 MR. BUSHMANN: Kansas Electric Power, any
14 questions?

15 MR. SCHULTE: No questions.

16 MR. BUSHMANN: MEGC.

17 MR. WOODSMALL: No questions.

18 MR. BUSHMANN: Redirect.

19 MR. ZOBRIST: Just a couple of questions,
20 Mr. Ives.

21 REDIRECT EXAMINATION

22 BY MR. ZOBRIST:

23 Q. In reference to Commissioner Rupp's
24 question about demonstration projects, did KCP&L
25 conduct a smart grid demonstration project a few

1 **years ago?**

2 A. We did. And one of the items within that
3 was a storage battery on the distribution of the
4 substation level. So we have evaluated it, and I
5 would say we continue to evaluate emerging
6 technology and better ways to look at storage, but
7 we just haven't implemented the next item.

8 **Q. And is Mr. Crawford qualified to talk**
9 **about that demonstration project in greater detail?**

10 A. He is.

11 **Q. And Commissioner Rupp asked you about a**
12 **couple of the other proposals that Renew Missouri**
13 **has proposed. What other kinds of forums would be**
14 **appropriate outside of working dockets to deal with**
15 **these kinds of issues?**

16 A. Well, certainly, rate cases. And, you
17 know, there's been discussion earlier today about
18 green initiative, green power tariffs. Those are
19 items that are in front of the commission in these
20 pending rate cases. Certainly, I suspect there will
21 be positions taken by parties in those cases that
22 may look at some of these other items or proposed to
23 as well, but that's a forum where you get the type
24 of stakeholder involvement that makes sense.

25 **Q. Okay. And with regard to the stipulation**

1 and agreements presented to the commission, did a
2 solar company join in any of those stipulations?

3 A. Brightergy was a party to our stipulations
4 in both Kansas and Missouri.

5 Q. Now, you were asked some questions from
6 the chairman about the benefits to Missouri
7 commissioners with regard to achieving a merger of
8 savings. Will the filing of a rate case in Missouri
9 permit the commission to evaluate those merger
10 savings?

11 A. Yeah. Both the pending rate cases will
12 have -- have an amount of merger savings in them
13 that will be subject to evaluation. And, certainly,
14 when we come back consistent with the FAC
15 requirements, there'll be another opportunity to
16 evaluate the growth in those merger savings that has
17 occurred as we've completed the implementation.

18 Q. And is it fair to say the rates that would
19 then be approved by the commission would reflect
20 that not only in fuel and related costs required
21 under the FAC statute but also merger savings?

22 A. Absolutely. That's part of that, is to --
23 for the commission to be able to evaluate all
24 relevant factors at least every four years.

25 MR. ZOBRIST: No other questions, Judge.

1 MR. BUSHMANN: Thank you, Mr. Ives. You
2 may step down now.

3 THE WITNESS: Thank you.

4 MR. BUSHMANN: Why don't we take a short
5 break. We'll be in recess until ten minutes after
6 three.

7 (A recess was taken.)

8 MR. BUSHMANN: We're still missing a
9 couple of folks, but I think they'll trickle in in a
10 minute.

11 I guess we're ready for Mr. Akin.

12 MR. BREGMAN: We call Bruce Akin.

13 BRUCE AKIN,
14 being first duly sworn, was examined and testified as
15 follows:

16 DIRECT EXAMINATION

17 BY MR. BREGMAN:

18 Q. Good afternoon Mr. Akin.

19 A. Good afternoon.

20 Q. Would you please state your name for the
21 record.

22 A. Bruce Akin.

23 Q. And by whom are you employed and in what
24 capacity?

25 A. I'm employed by Westar Energy as senior

1 vice president of power delivery.

2 Q. Did you cause to be filed in this case
3 seven pages of testimony that has been marked as
4 Exhibit 1 and filed in question and answer format.

5 A. Yes.

6 Q. And are your answers true to the best of
7 your knowledge and belief?

8 A. Yes.

9 Q. Do you have any changes or corrections to
10 your testimony?

11 A. I do not.

12 Q. Was your testimony provided under oath?

13 A. Yes.

14 MR. BREGMAN: Your honor, I would move the
15 admission of Exhibit No. 1 and tender the witness
16 for cross-examination.

17 MR. BUSHMANN: Any objections to
18 Exhibit 1?

19 Hearing none, it's admitted.

20 And first cross would be staff.

21 MR. THOMPSON: I have no questions, Judge.
22 Thank you.

23 MR. BUSHMANN: MJMEUC.

24 MS. WHIPPLE: None. Thank you.

25 MR. BUSHMANN: Public counsel.

1 MS. SHEMWELL: No questions. Thank you,
2 Judge.

3 MR. BUSHMANN: Division of Energy.

4 MR. POSTON: No questions.

5 MR. BUSHMANN: Renew Missouri.

6 MR. OPITZ: Yes, Judge.

7 CROSS-EXAMINATION

8 BY MR. OPITZ:

9 Q. Mr. Akin, do you have a copy of the -- I
10 believe it was Exhibit 451, which was the
11 nonunanimous stipulation agreement filed in the KCC
12 case.

13 A. Yes.

14 Q. You do?

15 And I'm looking at page 27 of that
16 document.

17 A. Okay.

18 Q. On that page, paragraph 49, it includes a
19 number of quality of service conditions. Are these
20 conditions that the joint applicants have agreed to
21 in the Missouri docket?

22 A. No, they're not.

23 Q. Can you tell me which one of these -- or
24 which of these are different from what the company
25 has agreed to in the Missouri docket?

1 A. In the Missouri docket, we've agreed to a
2 number of reporting requirements, both from a call
3 center standpoint and from a reliability standpoint,
4 which is consistent with past practice in Missouri.
5 In Kansas, we have proposed penalties based on
6 degradation of service, which, again, is consistent
7 with past practice in Kansas, among some other
8 reporting requirements.

9 Q. In your -- do you have a copy of your
10 **direct testimony?**

11 A. Yes.

12 Q. At page 4, lines 15 through 21, you're
13 talking about call center metrics, including abandon
14 call rate; average speed of answer; service level,
15 including reliability metrics; system average;
16 interruption frequency index; customer average
17 interruption duration index; customer average
18 interruption frequency index. Are those the kinds
19 of quality of service conditions that are being
20 addressed in the KCC stipulation?

21 A. Yes, they are.

22 Q. And so in Missouri, if the company does
23 not meet those requirements, I guess, what's the
24 **process?**

25 A. I believe the process is that -- as part

1 of -- also, the stipulation is, is that the company
2 will sit down with commission staff on a periodical
3 basis to review those metrics, and so I guess to the
4 extent that service would decline, there would be a
5 discussion of how to get that back above what
6 historical levels have been.

7 **Q. Whereas in the Kansas proceeding, there**
8 **are -- we'll call it -- I think you said there are**
9 **requirements or degradation penalties?**

10 A. On a few of those metrics. Not all of
11 those metrics, but, yes, that is correct.

12 **Q. I think you may have addressed this, but**
13 **if you turn to the page 28 of the KCC stipulation**
14 **agreement, that contains reporting and access to**
15 **record conditions. It goes through several pages --**
16 **I believe up to 32 beginning at page 28.**

17 A. Right.

18 **Q. Are those conditions also agreed to in the**
19 **Missouri docket by the companies?**

20 A. I don't know that each and every one of
21 these -- I know there is a number of reporting
22 requirements that have been stipulated in Missouri,
23 but I have not done a comparison to tell you whether
24 they're all exactly one for one or not.

25 **Q. To your knowledge, is there any**

1 **circumstance related to the Missouri condition --**
2 **Missouri regulatory environment that would require**
3 **additional reporting or access to records than would**
4 **be required in Kansas?**

5 A. Not that I'm aware of.

6 MR. OPITZ: That's all of the questions I
7 have. Thank you.

8 MR. BUSHMANN: Kansas Electric Power.

9 MR. SCHULTE: No questions.

10 MR. BUSHMANN: MECG.

11 MR. WOODSMALL: No questions.

12 MR. BUSHMANN: Any questions from the
13 commissioners?

14 MR. HALL: Good afternoon.

15 THE WITNESS: Good afternoon.

16 MR. HALL: I was wondering if you could
17 tell me generally how KCP&L and GMO compare to
18 Westar with regards to Sadie, Katie -- is there a
19 fourth one -- isn't there a fourth one?

20 THE WITNESS: Sadie, Safie, and Katie.

21 MR. HALL: Okay. Just the three. How do
22 they compare, generally?

23 THE WITNESS: If you look at the -- it
24 depends on how you break it down. So if you look at
25 the Kansas portion of KCP&L, their reliability

1 metrics are better than ours, but a lot of that can
2 be driven just based on the geography. Most of -- a
3 high percentage of the Kansas KCP&L customers are in
4 the Kansas City metro area in Johnson County, which
5 is a newer area, more underground, which is better
6 reliability. Generally, the more dense the
7 population is, the better the reliability. If you
8 look on the Missouri side --

9 MR. HALL: The fewer trees that could take
10 down lines, the better reliability?

11 THE WITNESS: You have less miles of
12 exposure, of lines going from town to town and so
13 forth. On the Missouri side, the GMO reliability is
14 fairly consistent with what Westar sees, which is
15 the territory is very similar. The KCP&L, which is
16 more of the metro KC is a little bit better.

17 So it kind of just depends on how you
18 break it down, but, generally, overall, KCP&L is a
19 little bit better than Westar.

20 MR. HALL: And what do you attribute that
21 to?

22 THE WITNESS: Again, it's the
23 concentration in a metropolitan area is a big
24 driver.

25 MR. HALL: Anything beyond that? Anything

1 about the culture, anything about the amount of the
2 resources put into reliability, anything about tree
3 trimming, or is there anything else that you would
4 point to that might have some causal component?

5 THE WITNESS: No. Both companies have a
6 similar track record, similar number of resources
7 for the customers that we severed. Westar's
8 historically -- or just recently last year we got on
9 to a cycle trim on our vegetation, which has
10 improved our reliability closer to what KCP&L's is.
11 So, historically, that's been the only difference,
12 but today we're very consistent in our practices
13 across both companies.

14 MR. HALL: How common is it for generation
15 to be involved in some of these reliability issues,
16 or is it almost exclusively distribution?

17 THE WITNESS: Yeah, we've never -- that I
18 can recall, we've never had an issue with
19 reliability to the customer base on the generation
20 cause.

21 MR. HALL: So if the merger goes through,
22 you are going to be responsible for the distribution
23 system for your both companies; is that correct?

24 THE WITNESS: That's correct.

25 MR. HALL: So are there any lessons at all

1 that you will bring with you from Westar that will
2 be of help to Missouri rate payers?

3 THE WITNESS: There will be opportunities
4 going both ways as we continue to bring the
5 companies together. We have identified some
6 opportunities already, but, really, as we go down
7 the road and the folks start working together, our
8 intent is to take the best practice from either
9 company, if we can't find a better practice
10 someplace else. So there's a lot of benefits here.

11 MR. HALL: I have no further questions.
12 Thank you.

13 MR. RUPP: Good afternoon, sir.

14 THE WITNESS: Good afternoon.

15 MR. RUPP: So you talked to -- for
16 customer service, unless you look at various J.D.
17 Power and those types of things, how do the two
18 companies compare when it comes to the customer
19 service piece?

20 THE WITNESS: I'm not real familiar with
21 the J.D. Power scores. I'm probably not the one
22 best to answer that. I know we both survey our
23 customers through various sources. As you
24 indicated, J.D. Power is one. We also survey our
25 customers every time we have a transaction with

1 them, whether that's in the call center or whether
2 we show up on their property to do -- a customer
3 order type of work. And I believe KCP&L does
4 something similar, but I'm not intimately familiar
5 with what they do from that aspect.

6 So there's a number of different things
7 that can go into those surveys. Some of the J.D.
8 Power may be surveying customers that haven't
9 necessarily had an interaction with either company,
10 as I understand it, for some period of time, and so
11 that's why we incorporate the transaction surveys,
12 at least on the Westar side, how was that
13 interaction with the customer?

14 MR. RUPP: Who would be the best person
15 for me to --

16 THE WITNESS: I'm not sure of the
17 remaining witnesses who is familiar with the
18 customer satisfaction scores, particularly the J.D.
19 Power ones.

20 MR. RUPP: All right.

21 THE WITNESS: Sorry.

22 MR. RUPP: If you don't know, you don't
23 know.

24 Thank you.

25 MR. BUSHMANN: Recross.

1 Commission staff.

2 MR. THOMPSON: No questions. Thank you,
3 Judge.

4 MR. BUSHMANN: MJMEUC.

5 MS. WHIPPLE: None. Thank you.

6 MR. BUSHMANN: Public counsel.

7 RECROSS-EXAMINATION

8 BY MS. SHEMWELL:

9 Q. One question about customer service. You
10 say on, With the provision of this information --
11 we're talking about contact center and reliability
12 metrics -- staff will be fully equipped to ensure
13 that the merger will not have a detrimental effect
14 on service quality.

15 Would you be prepared to provide
16 additional -- the additional information staff
17 thought it was required to have to be equipped to
18 ensure that the merger is not detrimental?

19 A. Well, as I understand it, the company will
20 be meeting with staff on a regular basis to review
21 this, and I'm sure as questions come up, we'll be
22 more than happy to answer those questions.

23 Q. Is it your intent to include the office of
24 the public counsel in those meetings?

25 A. I am not familiar enough with the

1 proceedings on the Missouri side or the regulatory
2 standpoint to be able to answer that. I don't know
3 what the proper procedure is.

4 **Q. I might have some suggestions, but thank**
5 **you.**

6 MR. BUSHMANN: Any other questions?

7 MS. SHEMWELL: No. Sorry. I said thank
8 you. I thought that was ...

9 MR. BUSHMANN: Division of Energy.

10 MR. POSTON: No questions.

11 MR. BUSHMANN: Renew Missouri?

12 MR. OPITZ: No, thank you, Judge.

13 MR. BUSHMANN: Kansas Electric power.

14 MR. SCHULTE: No questions.

15 MR. BUSHMANN: MEGC.

16 MR. WOODSMALL: No questions.

17 MR. BUSHMANN: Redirect.

18 MR. BREGMAN: No questions, Judge.

19 I wondered if this witness could be
20 excused from the proceedings.

21 MR. BUSHMANN: He may. Thank you, sir.
22 Call your next witness.

23 MR. STEINER: The company calls Steven
24 Busser.

25 STEVEN BUSSER,

1 being first duly sworn, was examined and testified as
2 follows:

3 DIRECT EXAMINATION

4 BY MR. STEINER:

5 Q. Please state your name for the record.

6 A. Steve Busser.

7 Q. Where are you employed?

8 A. I'm employed by Great Plains Energy.

9 Q. What's your position there?

10 A. Vice president of risk management and
11 controller.

12 Q. Mr. Busser, did you cause to be filed
13 direct testimony in this case that's been premarked
14 as Exhibit 4?

15 A. Yes, sir, I did.

16 Q. Do you have any changes to that prefile
17 testimony?

18 A. I do not.

19 Q. Are the answers in that testimony true and
20 correct to the best of your knowledge?

21 A. They are.

22 MR. STEINER: At this time, I would move
23 for the admission of Exhibit 4 into the record.

24 MR. BUSHMANN: Any objection?

25 Hearing none, it's admitted.

1 MR. STEINER: Tender this witness for
2 cross-examination.

3 MR. BUSHMANN: Cross by staff.

4 MR. THOMPSON: No cross. Thank you,
5 Judge.

6 MR. BUSHMANN: MJMEUC.

7 MS. WHIPPLE: No cross. Thank you.

8 MR. BUSHMANN: Public counsel.

9 CROSS-EXAMINATION

10 BY MS. SHEMWELL:

11 Q. Just one general question. What falls
12 under your responsibility? I'm reading some things
13 here in terms of risk management.

14 A. So my role as the vice president of risk
15 management controller, I'm responsible for all of
16 the corporate accounting, all of the corporate tax,
17 all of the energy accounting for the company, and
18 all -- as well enterprise business system solutions,
19 which is all of the corporate systems that support
20 the back office functions and risk management.

21 Q. Does that include things like workers'
22 compensation and vehicle accidents, that sort of
23 thing?

24 A. Yes, ma'am, that includes that.

25 Q. When you talk about enterprise management,

1 **we referred to the CIS system as a billing system.**

2 **Is it also an enterprise management system?**

3 A. It's our corporate customer information
4 system, and it affects all of our customers. The
5 definition of an enterprise financial system, when I
6 hear that term, I would think something more like a
7 PeopleSoft system.

8 **Q. I was thinking of an SAP.**

9 A. Yeah, that would be an enterprise
10 system. I think CCMB or the customer information
11 system is a different, in that it only affects a
12 certain population of the company.

13 **Q. Thank you for that clarification.**

14 MS. SHEMWELL: I think that's all I have.
15 Thank you, sir.

16 THE WITNESS: Thank you.

17 MR. BUSHMANN: Division of Energy.

18 MR. WOODSMALL: No questions.

19 MR. BUSHMANN: Renew Missouri.

20 CROSS-EXAMINATION

21 BY MR. OPITZ:

22 **Q. Good afternoon.**

23 A. Good afternoon.

24 **Q. Do you have a copy of your testimony with**
25 **you?**

1 A. Yes, sir.

2 Q. So I'm looking at page 23.

3 A. I presume you're talking about my direct?

4 Q. Yes, your direct testimony.

5 A. Page 23, you said?

6 Q. Page 23. I'm looking at lines 14 through
7 17.

8 A. Got it.

9 Q. So in that portion of your testimony, you
10 discuss that the applicants have determined it's
11 possible to accelerate retirement of certain
12 Westar's generating units; is that correct?

13 A. Yes, sir.

14 Q. And the timing that you indicate there are
15 mid to late 2020s to as early as 2018 are merger
16 related. Were you in the hearing room most of the
17 day today?

18 A. I was not, but I am -- I'm very familiar
19 with those dates. The Westar retirements were
20 intended to be retired between the years of 2023 and
21 2028, and so this merger is allowing us to
22 accelerate those to 2018, and I think Mr. Crawford
23 goes through a pretty details information of that in
24 his testimony.

25 Q. And that's what I wanted to follow up on

1 is, I thought I had heard that the retirements were
2 going to be 2018 from a witness today. Is that the
3 date for all of those units that the company has
4 proposed to retire in Westar?

5 A. For the Westar unit?

6 Q. Yes.

7 A. I believe that's right. And I think
8 Mr. Crawford can confirm that for you.

9 Q. Okay. Thank you.

10 And when you were looking at Westar's
11 generating units to determine whether you could
12 accelerate retirement for those units, did you
13 explain what the process that you employed was for
14 determining that?

15 A. I wasn't the one who made the
16 determination on what the retirement dates for those
17 plans could be, that would be Mr. Crawford.

18 Q. Were you involved in selecting which
19 generating units to evaluate as part of that
20 process?

21 A. No, I was not.

22 Q. Was that Mr. Crawford who was involved in
23 that?

24 A. That was Mr. Crawford, yes, sir.

25 Q. Okay. At page 9 of your testimony, you

1 generally talk about the -- or beginning at page 9,
2 I should say, the enormous undertaking of the
3 integration activities in preparing for this merger.
4 Would you agree with that characterization?

5 A. You're talking about lines 3, 4 and 5?

6 Q. Lines 3 through 7.

7 A. Yeah. This was a big undertaking.

8 Q. And if the commissions that need to get
9 approval still do grant approval of this merger, can
10 you expect that that undertaking will continue at
11 the scale that it has been going on?

12 A. Well, to the extent that we need people to
13 execute it, it will be a big undertaking, but our
14 plan is done. We have plans, and we are ready to
15 rock and roll. To the extent that, like I said,
16 people need be available to execute those plans, it
17 will be just that much bigger.

18 Q. And what is the role in the plans that
19 you've developed during the time period of
20 integration? Is that going to be -- I guess the
21 number one priority of people in the company, is
22 that going to be additional considerations that are
23 the focus of -- can you explain, I guess, how the
24 company views those integration plans?

25 A. So I guess you're talking about plans in

1 general, not my role, specifically?

2 **Q. The plans that have been developed, yes.**

3 A. Yeah. So this will be a focus. We've
4 made significant commitments to our shareholders,
5 we've accumulated hundreds of millions of dollars'
6 worth of savings on which our forwarding looking
7 financial plans are predicated. Our officer team is
8 going to be dedicated to looking at the results of
9 integration, and as those are tracked by
10 Mr. Greenwood in his integration success effort,
11 this will be a significant focus for the company
12 going forward.

13 MR. OPITZ: That's all I have. Thank you.

14 THE WITNESS: Thank you.

15 MR. BUSHMANN: Kansas Electric Power.

16 MR. SCHULTE: No questions.

17 MR. BUSHMANN: MEGC.

18 MR. WOODSMALL: Yes. Briefly.

19 CROSS-EXAMINATION'S

20 BY MR. WOODSMALL:

21 **Q. Can you tell me what kind of savings**
22 **there are that are associated with an early**
23 **retirement of a power plant?**

24 A. Yeah. I think it's pretty
25 straightforward. I'll give you an example. If I'm

1 running a chemistry lab, and I shut that plant off,
2 I don't have to buy chemicals to test the water
3 anymore. That's a nonlabor savings. If the plant
4 is not running, employees are not needed to run that
5 plant. We can move those employees to other plants.

6 **Q. Okay. So to the extent that there are**
7 **these savings from accelerating the retirement of**
8 **Westar plants, those savings are entirely realized**
9 **by Kansas customers; is that correct?**

10 A. I don't think that's the case, but I think
11 Mr. Ives is probably the more appropriate witness to
12 talk to you about the regulatory treatment of how
13 the efficiencies that we get from these plant
14 closures will flow to customers between the
15 jurisdictions.

16 **Q. Okay. Was there any acceleration of the**
17 **retirements from Missouri plants?**

18 A. I'm sorry. I -- what was the question?

19 **Q. Were any Missouri fossil fuel plants going**
20 **to have an early retirement than they otherwise**
21 **would?**

22 A. So we -- the KCP&L system, we have a
23 number of power plants in the KCP&L side that will
24 also be retired. They're not counted as merger
25 savings. So the answer to your question is there

1 are no incremental plant closures related to the
2 KCP&L system or Missouri as a result of the merger.

3 Q. Okay. So because of the merger and the
4 joint planning, there will be merger savings
5 associated with Westar plants but no merger savings
6 associated with the early retirement of the Missouri
7 plant?

8 A. That is true.

9 MR. WOODSMALL: Okay. No further
10 questions.

11 MR. BUSHMANN: Commissioner questions?

12 MR. HALL: Yeah.

13 Good afternoon.

14 THE WITNESS: Good afternoon.

15 MR. HALL: Could you turn to page 14 of
16 your direct.

17 THE WITNESS: I'm there.

18 MR. HALL: Okay. On lines 1 through 4 you
19 say that:

20 "We will have the same number of customer
21 facing employees, e.g., lineman, and continue our
22 maintenance efforts and ability to respond to our
23 customers in storm emergency situations."

24 Is that correct?

25 THE WITNESS: Yes, sir, it is.

1 MR. HALL: What do you mean by
2 customer-facing employees? I know what linemen are,
3 but who else is included in that?

4 THE WITNESS: Yeah. So we -- you know,
5 the -- I think the way to think about it is we
6 take -- we went to great lengths to make sure we
7 were not going to affect customers through
8 developing efficiency savings. And when I say
9 "customer facing employees," those are folks that
10 answer phones when customers call in the call
11 center, folks that go out and talk to customers, do
12 collections for late payments -- folks that actually
13 have day-to-day contact with the customer. We were
14 careful to make sure that we didn't degradate the
15 quality of service that we had to our customers
16 through this process.

17 MR. HALL: And so your -- when you say
18 that you're going to keep the same number of
19 employees, I assume that means -- however many you
20 have -- however many there are at KCP&L at
21 premerger, how many there are at Westar at
22 premerger, you combine the two, and that's how many
23 there will be post merger?

24 THE WITNESS: Yeah, I think that's
25 probably a fair starting point, but as we bring the

1 two functions together, that doesn't mean they're
2 going to be exempt from us doing things like
3 adopting practices that are best of both. If we
4 have an inefficient process at, say, KCP&L, and
5 Westar has a more efficient process, and we
6 implement that process, yet the quality of service
7 stays the same, the level of employees could go
8 down, but it didn't affect the number of customers.
9 Your question is exactly right from a starting point
10 perspective. No employees are going to lose their
11 job as a result of the merger, so the answer to your
12 initial question is yes, but if there are
13 efficiencies going forward --

14 MR. HALL: And are any of those
15 efficiencies counted in your estimated savings?

16 THE WITNESS: There are not.

17 MR. HALL: Okay. And this may be an
18 obvious question, but I want to be sure I know the
19 answer. When you talk about 2022 and beyond getting
20 approximately \$160 million a year in saving, that
21 would be savings compared to what you are spending
22 now, so you'll, in theory, be spending \$160 million
23 less in 2022, and 2023, it's the same \$160 million
24 that you'll be spending less?

25 THE WITNESS: That is the assumption, yes,

1 sir.

2 MR. HALL: Okay. Thank you. I have no
3 further questions.

4 MR. BUSHMANN: Do any parties have any
5 recross for this witness?

6 MR. THOMPSON: No, thank you, Judge.

7 MS. SHEMWELL: No.

8 MR. BUSHMANN: Redirect?

9 MR. ZOBRIST: None, Your Honor.

10 MR. BUSHMANN: You may step down, sir.
11 Thank you for your testimony.

12 THE WITNESS: Thank you.

13 MR. BUSHMANN: Our next witness.

14 MR. BREGMAN: Burton Crawford.

15 BURTON CRAWFORD,

16 being first duly sworn, was examined and testified as
17 follows:

18 DIRECT EXAMINATION

19 BY MR. STEINER:

20 Q. Please state your name for the record.

21 A. Burton Crawford.

22 Q. Mr. Crawford, where do you work and what
23 is your position?

24 A. I'm employed by KCP&L as director of
25 energy resource management, which essentially means

1 I get to do the IRP.

2 Q. Okay. Did you cause to be filed
3 surrebuttal testimony in this case, which has been
4 premarked as Exhibit 5?

5 A. I did.

6 Q. Do you have any changes to that testimony?

7 A. I have one. It's on page 6, line 21.
8 Where it says "Holt County," that should be Atchison
9 County. That's it.

10 Q. Okay. With that change, are the answers
11 found in Exhibit 5 true and correct to the best of
12 your knowledge?

13 A. They are.

14 MR. ZOBRIST: At this time I move the
15 admission of Exhibit No. 5 into the record.

16 MR. BUSHMANN: Any objections?

17 Hearing none, Exhibit 5 is admitted.

18 First cross would be staff.

19 MR. THOMPSON: Thank you, Judge.

20 CROSS-EXAMINATION

21 BY MR. THOMPSON:

22 Q. Mr. Crawford, how are you?

23 A. Peachy.

24 Q. When is your next IRP files due?

25 A. It is due April 2nd of this year.

1 **Q. And what type of filing is that?**

2 A. That is the full-blown triannual.

3 MR. THOMPSON: Thank you. No further
4 questions.

5 MR. BUSHMANN: MJMEUC.

6 MS. WHIPPLE: None. Thank you.

7 MR. BUSHMANN: Public counsel.

8 CROSS-EXAMINATION

9 BY MS. SHEMWELL:

10 **Q. Not peachy keen?**

11 A. No, just peachy.

12 **Q. As part of your job, do you look at the**
13 **resources that each of the companies has to serve**
14 **its resources?**

15 A. I do.

16 **Q. Does GMO have sufficient capacity -- does**
17 **GMO itself have sufficient capacity to serve its**
18 **customers?**

19 A. It has sufficient capacity to serve its
20 customers, which comes from a combination of
21 resources they own, as well purchased resources.

22 **Q. And how -- what percentage of that is**
23 **purchased resources?**

24 A. I'm sorry. I couldn't tell you off the
25 top of my head on a percentage basis, but as -- a

1 number of megawatts of capacity are purchased.

2 **Q. And when you say "purchased," does that**
3 **mean that you go to the market -- the SPP market to**
4 **purchase?**

5 A. Yes -- well, not necessarily the SPP
6 market itself, but it's done on a bilateral basis,
7 or we'll issue an RFP and evaluate responses for
8 that capacity, because SPP, unlike some other RTOs,
9 does not have a centralized capacity market.

10 **Q. How much of that purchase capacity does**
11 **KCP&L wind up providing?**

12 A. It varies from year to year. In some
13 years, KCP&L provides the shortfall, but there have
14 been times where KCP&L did not win the bid, and it
15 was provided by another party.

16 **Q. Can you be more specific about what**
17 **quantity the shortfall might be? More than**
18 **50 percent?**

19 A. Oh, no. Much less than that. Probably in
20 the neighborhood of 1 to 200 megawatts.

21 **Q. That GMO lacks in terms of its own**
22 **capacity to serve customers?**

23 A. Yes.

24 **Q. Is that part of your IRP process, looking**
25 **at that?**

1 A. It is.

2 Q. Does KCP&L have sufficient capacity to
3 serve its customers?

4 A. Yes.

5 Q. And generation?

6 A. Yes.

7 Q. Does GMO buy energy from -- through
8 bilateral contracts?

9 A. No. The way the SPP market works these
10 days is generally all energy is purchased through
11 the market.

12 Q. And how much energy does GMO purchase?

13 A. I'm sorry. I must correct that. GMO has
14 purchase power agreements with various wind
15 facilities, but functionally what happens is that
16 energy gets sold to the market, and then GMO buys
17 the energy that it needs from retail for retail
18 customers for the market.

19 Q. And how much emergency does GMO generally
20 buy from the market?

21 A. Well, these days everything is bought from
22 the market, and I think GMO's native load
23 requirements are roughly in the order of 8 million
24 megawatt hours a year.

25 Q. So that's what it purchases annually

1 **through SPP?**

2 A. Yes.

3 **Q. Goes to the market for energy but not**
4 **capacity?**

5 A. Correct.

6 **Q. Okay. Does GMO only buy wind energy? Was**
7 **that -- was I understanding what you said correctly?**

8 A. Yes. GMO has a number of contracts for
9 wind energy.

10 **Q. But no other contracts for energy?**

11 A. I'm trying to think. I think most are
12 just -- it's just capacity. With what's called
13 market-based energy, but, effectively, like I said,
14 all energy is being purchased out of the SPP market.

15 **Q. I apologize for my confusion, but how much**
16 **capacity is GMO purchasing from others?**

17 A. It varies from year to year, depending on
18 GMO's need.

19 **Q. Tell me about last year.**

20 A. It's going to be under 200 megawatts, but
21 I can't tell you an exact number.

22 **Q. What percentage is that?**

23 A. GMO's peak load is around 2,000 megawatts,
24 so under 10 percent.

25 MS. SHEMWELL: Thank you.

1 MR. BUSHMANN: Division of energy.

2 MR. POSTON: No questions.

3 MR. BUSHMANN: Renew Missouri.

4 CROSS-EXAMINATION

5 BY MR. OPITZ:

6 Q. Good afternoon, Mr. Crawford.

7 A. Good afternoon.

8 Q. When Mr. Busser was on the stand, he
9 indicated that you would have been the person to
10 identify the units selected for retirement as part
11 of this merger; is that true?

12 A. That's correct.

13 Q. Can you tell me what your process was for
14 identifying those units?

15 A. Generally, we looked at the units of
16 Westar that were the older units, smaller units,
17 higher cost units.

18 Q. In that process, did you evaluate all of
19 the units of KCP&L, GMO, and Westar, or was it only
20 certain Westar units that you examined?

21 A. There were only certain Westar units that
22 were evaluated as retirement candidates.

23 Q. And that was based on age of the units?

24 A. Again, based on the size, age of the
25 units, cost of the units.

1 Q. In Mr. Ives' testimony -- I assume you're
2 familiar with it -- the companies have agreed to
3 file an updated IRP including Westar in 2019. Are
4 you aware of that?

5 A. I'm aware of that.

6 Q. Okay. And in your view, working on the
7 IRP process, is there a difference between the
8 annual update and the process that occurs during a
9 triannual IRP filing?

10 A. Yes, there are differences.

11 Q. And how is your evaluation of each
12 generating unit different during the annual update
13 versus the triannual update?

14 A. I'd say, generally, there's really not any
15 difference between the triannual and the annual
16 update in regards to units. We pretty well develop
17 alternative resource plans and look at potential
18 retirements, whether it's a triannual filing or
19 whether it's an annual update, and we'll do so again
20 for the 2019 update.

21 Q. And is the process for evaluating units,
22 does that include looking at the net present value
23 requirement of continuing to operate each unit
24 versus replacing each unit in light of environmental
25 capital fuel, O&M expenses that would be incurred to

1 **continue operating that unit?**

2 A. The evaluation is based on the total
3 revenue requirements for the entity that is being
4 evaluated. It's not revenue requirements for a
5 particular unit.

6 **Q. And what is the reason for evaluating it**
7 **based on total revenue rather than per individual**
8 **unit?**

9 A. Well, you need to look at these decisions
10 within the contexts of the total supply portfolio,
11 because, ultimately, what you're trying to get to is
12 what portfolio results in minimizing the net present
13 value of revenue requirements or, basically, how
14 much money you would need to collect to support that
15 particular resource plan over a 20-year period.

16 **Q. Can you give me a sense of what it would**
17 **take to analyze those units on a unit-by-unit basis?**

18 A. It would be a lot of work.

19 **Q. As in, I guess, KCP&L -- maybe you can**
20 **elaborate what steps you would have to take to do**
21 **that?**

22 A. When we do an IRP, we narrow down the
23 potential -- I'll call it retirement candidates,
24 just to be able to have a manageable process. So
25 for each individual unit that would be retired,

1 you're talking about having the 20-year capital plan
2 and O&M plan for that particular facility and
3 setting up the financial files to basically remove
4 that unit or be able to calculate revenue
5 requirements with and without that unit in service.
6 You're dispatching these models -- these are
7 dispatched models based on an hourly basis over 20
8 years. So it -- it would just be a tremendous
9 amount of work that, I might add, I don't feel is
10 necessary when doing an IRP.

11 **Q. One of the conditions proposed by Renew**
12 **Missouri's witness, Mr. Rabago, was related to a**
13 **comprehensive, transparent, and parallel integrated**
14 **resource planning process for the combined**
15 **companies. Did you have a chance to read that**
16 **condition he proposed?**

17 A. I did.

18 **Q. And in your opinion, would that -- I**
19 **guess, what would be -- what additional would be**
20 **required by an agreement to follow that condition?**

21 A. We plan to do that. I believe that was
22 part of the stipulation. And quite frankly, whether
23 it was part of the stipulation or not, as the one
24 responsible for doing resource planning, I would be
25 doing it anyway, just like we've done with GMO and

1 KCP&L, since those two entities came together. I
2 see that as really no different.

3 Q. And so the company or -- and you are
4 committed to, I guess, providing stakeholders an
5 opportunity to have different scenarios evaluated
6 for earlier retirement of various -- I'll call them
7 planning scenarios.

8 A. Yes. And the IRP process in Missouri,
9 because, you know, it's -- things change over time,
10 and the rule is static, the commission -- or
11 somebody at staff -- I don't know who thought up the
12 idea, had provisions in the rules for what they call
13 special contemporary issues, and so each -- I think
14 it's September, maybe, interested stakeholders get
15 to come in and propose what items they think the
16 company needs to include as part of their next IRP
17 filing. We have a chance to respond and say whether
18 or not we're amendable to do those items, and so in
19 this case, interested stakeholders could come in and
20 say, We would like you to review this particular
21 alternative resource plan or plans. We have the
22 chance to respond and say, Yup, we'll be happy to do
23 that or oppose it. It goes before the commission,
24 and then the commission decides whether to order us
25 to do that particular item or not. So it's already

1 built in as part of the process and will be followed
2 here.

3 Q. And my understanding of the company's
4 commitment that was put forward in surrebuttal was
5 there was a time limitation on the commitment to
6 evaluate the consolidated companies. Is that time
7 limit -- I guess, what is that time limited to?

8 A. I'm sorry. I wasn't involved in the
9 negotiating the stipulation and agreement, so I
10 don't know what all was discussed.

11 Q. Would there be a -- in your view, would
12 there be any reason why the combined company should
13 discontinue evaluating its resources on a combined
14 basis?

15 A. Sitting here today, I don't know why it
16 would be discontinued.

17 Q. I believe Mr. Ives mentioned that you
18 would be qualified to talk about the demonstration
19 grid that companies have performed in.

20 A. Yes, I heard him say that.

21 Q. How many years ago was that project?

22 A. I think it concluded in 2015.

23 Q. Okay. And since the project concluded,
24 has either of the companies pursued any additional,
25 I guess, energy storage initiatives?

1 A. Yes.

2 Q. And what are those?

3 A. Westar is actually in the process right
4 now of looking at a battery storage pilot program.
5 They're anticipating it would in service by the end
6 of the year. So it's in the works.

7 Q. So specific to the Missouri utilities, are
8 there any additional, I guess, steps to be taken
9 from any of the lessons learned after the
10 distribution demonstration project?

11 A. Not currently.

12 Q. All right.

13 MR. OPITZ: That's all of the questions I
14 have. Thank you.

15 MR. BUSHMANN: Kansas Electric Power.

16 MR. SCHULTE: No questions.

17 MR. BUSHMANN: MEGG.

18 MR. WOODSMALL: Briefly.

19 CROSS-EXAMINATION

20 BY MR. WOODSMALL:

21 Q. Good afternoon, sir. In some questions
22 from Mr. Opitz, you talked about the joint planning,
23 and you considered "units of Westar" for closure.
24 Did you consider any GMO or KCP&L units for early
25 retirement as part of that joint planning?

1 A. We did not.

2 **Q. Why not?**

3 A. We just finished an IRP update and had
4 thoroughly evaluated the KCP&L and GMO units that we
5 planned to retire.

6 **Q. But you don't know whether some of those
7 unit may have been, I guess -- it may have been
8 beneficial to retire those units under a joint
9 planning-type construct, did you?**

10 A. I'm sorry. Can you ask that again?

11 **Q. If you didn't consider -- you say you
12 considered KCP&L and GMO units in the context of a
13 recent IRP filing.**

14 A. Yes.

15 **Q. Okay. And that IRP filing only considered
16 KCP&L and GMO, it didn't consider joint planning,
17 which included Westar; is that correct?**

18 A. That's correct.

19 **Q. Okay. So you don't know whether it might
20 have been beneficial to close some of those units in
21 the context of a joint Westar planning construct, do
22 you?**

23 A. Are you talking about closing additional
24 KCP&L units or the ones that we're --

25 **Q. Additional.**

1 A. Additional? Yeah, given the IRP that we
2 had evaluated, we looked at some additional
3 retirements on the KCP&L side, and it -- it's
4 significantly detrimental to customers to retire any
5 additional beyond what we already planned, and I
6 would fully expect that that would have -- that
7 would have shown up, also, in a combined KCP&L,
8 Westar, GMO analysis as well.

9 **Q. Okay. So even though you didn't include**
10 **possible retirement of those KCP&L and GMO units in**
11 **a joint planning here, it is your belief, just from**
12 **lesson learned from the previous IRP's, that it**
13 **wouldn't have been beneficial to retire those units**
14 **early?**

15 A. That's correct.

16 MR. WOODSMALL: Okay. No further
17 questions. Thank you.

18 MR. BUSHMANN: Commissioner questions.

19 MR. HALL: Yeah.

20 Good afternoon.

21 THE WITNESS: Good afternoon.

22 MR. HALL: So on page 3 of your
23 surrebuttal, you refer to KCP&L -- on page 3,
24 line 17 and 18, you refer to KCP&L and GMO's plan to
25 retire approximately 850 megawatts of fossil fueled

1 generation by the end of 2019; is that correct?

2 THE WITNESS: That's correct.

3 MR. HALL: And then on page 6 you refer to
4 the annual -- the IRP annual update submitted in
5 June of 2017 where you set forth plans for some
6 additional solar, some additional wind, some demand
7 side, the management for both KCP&L and GMO; is that
8 correct?

9 THE WITNESS: That's correct.

10 MR. HALL: So is that -- what you have on
11 page 6 in the IRP, is that designed to replace the
12 850 that you're going to be retiring referred to on
13 page 3?

14 THE WITNESS: I wouldn't say it's really a
15 replacement. We don't necessarily need to replace
16 that.

17 MR. HALL: You don't need to replace all
18 of it, but you need to replace some of it.

19 THE WITNESS: Yeah. And certainly the
20 capacity from the wind plays into that. So some --
21 there will be some additional capacity that is
22 added.

23 MR. HALL: And then I think you mentioned
24 that in April you'll be filing your triannual.

25 THE WITNESS: Uh-huh.

1 MR. HALL: And I assume that will -- can
2 you tell me the extent to which the triannual --
3 you're going to deviate significantly from what you
4 had in the annual update, as set forth on page 6?
5 Are there significant changes?

6 THE WITNESS: The most significant change
7 is -- what was not included at the time in the 2017
8 update is the 444 megawatts of additional wind that
9 we recently announced, so that will be rolled into
10 the plan.

11 MR. HALL: Okay. Anything else?

12 THE WITNESS: It'll continue to include
13 DSM programs similar to levels that we've got today.

14 MR. HALL: Okay. And, obviously, those --
15 I shouldn't say obviously. Those plans were made
16 separate and apart from any possible merger?

17 THE WITNESS: When you say "those plans."

18 MR. HALL: The additional wind, the
19 additional demand side management plans.

20 THE WITNESS: Yes. That's independent to
21 the merger.

22 MR. HALL: So is there -- is there
23 anything at all in the -- about the merger that you
24 think will affect KCP&L and GMO's generation mix
25 going forward?

1 THE WITNESS: I do not.

2 MR. HALL: Is there anything at all about
3 the merger that will affect demand side management
4 plans that GMO and KCP&L may have?

5 THE WITNESS: Not that KCP&L and GMO would
6 have. I would hope that we'll be able to convince
7 the Kansas commission of the benefits that we're
8 seeing from these programs and the revenue
9 requirement reductions over a long-term basis that
10 these type of programs can have, and we'll reach
11 agreement on appropriate cost recovery, like we have
12 in Missouri and get some of this done in Kansas.

13 MR. HALL: I have no further questions.

14 MR. BUSHMANN: Recross based on bench
15 questions.

16 Staff.

17 MR. THOMPSON: I have no questions. Thank
18 you, Judge.

19 MR. BUSHMANN: MJMEUC.

20 MS. WHIPPLE: None. Thank you.

21 MR. BUSHMANN: Public counsel.

22 MS. SHEMWELL: None. Thank you, Judge.

23 MR. BUSHMANN: Division of Energy.

24 MR. POSTON: No questions.

25 MR. BUSHMANN: Renew Missouri.

1 MR. OPITZ: None. Thank you, Judge.

2 MR. BUSHMANN: Kansas electric Power.

3 MR. SCHULTE: No questions.

4 MR. BUSHMANN: MECG.

5 MR. WOODSMALL: No questions.

6 MR. BUSHMANN: Redirect.

7 MR. STEINER: Briefly, Your Honor.

8 REDIRECT EXAMINATION

9 BY MR. STEINER:

10 Q. Mr. Crawford, do you recall Mr. Opitz
11 asking you about an analysis where you do total
12 revenue requirement on a unit-by-unit basis?

13 A. Yes.

14 Q. Is that required by the current IRP rule?

15 A. It is not.

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

18 MR. BUSHMANN: Thank you, Mr. Crawford.
19 You may step down now.

20 Let's go off the record.

21 (Discussion off the record.)

22 MR. BUSHMANN: I think the commissioners
23 prefer at this point to stop for today, and so what
24 we'll do is, we will go into recess. We will not
25 have a hearing tomorrow. We will finish -- we have

1 to come back Wednesday anyway for the Renew Missouri
2 witness. We'll do all four witnesses on Wednesday.

3 Do any of the parties have any problems
4 with that?

5 MR. WOODSMALL: Your Honor, before we go
6 off the record, I had those pieces of testimony for
7 my witnesses. Do I need to offer those, or have you
8 already accepted those into the record?

9 MR. BUSHMANN: Those were -- you're
10 talking about the testimonies of Brosch and Chriss?

11 MR. WOODSMALL: Yeah.

12 MR. BUSHMANN: They were done at the
13 beginning of the hearing.

14 (The hearing adjourned at 4:11 p.m.)

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24	Exhibits were retained by the Public Service	
25	Commission.	

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CERTIFICATE OF REPORTER

I, Lisa Ballalatak, a Certified Court Reporter for the State of Missouri, do hereby certify that the witnesses whose testimony appears in the foregoing hearing was duly sworn by me; the testimony of said witnesses was taken by me to the best of my ability and thereafter reduced to typewriting under my direction; that I am neither counsel for, related to, nor employed by any of the parties to the action in which this hearing was taken, and further that I am not a relative or employee of any attorney or counsel employed by the parties thereto, nor financially or otherwise interested in the outcome of the action.



Lisa Ballalatak
Missouri Supreme Court
Certified Court Reporter

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