

1 Q. Is information provided subsequently
2 forward-looking information? Some of it at least?

3 A. I don't remember. I would have to look at what
4 information was provided.

5 Q. Are there statements that you made in this, what
6 was filed in this document?

7 A. Let's see. I guess, yeah. Talking about the
8 transaction, how it would be set up is all forward
9 looking.

10 Q. We may want to take a break and just let you look
11 through.

12 MR. ZOBRIST: If you have a specific
13 question, you can direct him to a particular
14 paragraph.

15 MR. WILLIAMS: It is going to be more
16 generic to begin with.

17 MR. ZOBRIST: Why don't we take a break.

18 A. As we take a break, repeat that last question you
19 had again. I am trying to get the sense of what
20 you are asking. You were asking me is there a
21 forward-looking --

22 Q. (By Mr. Williams) There are forward-looking
23 statements made in that document.

24 MR. ZOBRIST: You just want him to read
25 this page and a half here before Mr. Green

1 starts speaking on Page 6?

2 MR. WILLIAMS: No, he has actually got
3 statements throughout.

4 MR. ZOBRIST: I object to you handing a
5 document to a witness and say read a 25-page
6 document.

7 MR. WILLIAMS: I am not asking him to
8 read every page of the 25-page document.
9 There are certain statements that are
10 attributed to him in the document. I just
11 want him to confirm that they are statements
12 he made or did not.

13 MR. ZOBRIST: Why don't we just go to
14 the statements, because he said he hasn't
15 seen this before. If you can go to his
16 statement he can just tell you right now
17 whether he recalls if he made it or not. If
18 he doesn't, the document is what it is.

19 THE WITNESS: I can tell you this was --
20 when was this done? This was done in
21 November.

22 MR. ZOBRIST: It should be February.

23 THE WITNESS: February. So I mean, I
24 honestly -- someone recorded this as a
25 transcript. I can't tell you for sure that I

1 remember saying this at that time.

2 Q. (By Mr. Williams) Would you look at the
3 statements that are made on Page 4 that are
4 attributed to you.

5 A. As I say, this is me continuing over to the next
6 page. I assume at that time that I had a
7 transcript that I was reading from. I can't tell
8 you that this was the transcript. This is just
9 something somebody -- it was submitted to SEC. I
10 assume it was transcribed accurately.

11 Q. Let me ask you this. Were the statements that are
12 attributed to you on Pages 4, 5 and 6 true now?

13 A. All right. That I can -- that I might have a --

14 MR. ZOBRIST: I am going to object to
15 the form of the question. It is three pages
16 of paragraphs and Mr. Chesser is reading
17 these. If you've got a specific question you
18 want to ask, whether over time it is either
19 not true or it is different, I have no
20 objection to that. But this is sort of a
21 collective question to say, "Is everything in
22 this piece here true and accurate?" It may
23 be, it may not be. There might be slight
24 differences. I object to the form of the
25 question.

1 MR. WILLIAMS: I am just asking whether
2 or not it is true now.

3 MR. ZOBRIST: I know. And there are 25
4 paragraphs here.

5 MR. WILLIAMS: If there is some part
6 that is not true, he can identify that.

7 MR. ZOBRIST: I suggest we go through
8 every paragraph if that's what you want. Mr.
9 Chesser, if you can answer the question, that
10 is fine. But if there is any hesitation on
11 your part, we should go through it line by
12 line.

13 A. I mean, there are some things -- there is
14 estimated numbers. I don't know what the current
15 synergy number is now versus then. Some of these
16 projections change as we get more information and
17 gain more knowledge. If there is a specific
18 paragraph I would be happy to address it.

19 Q. (By Mr. Williams) Okay. Let's go to Page 18.

20 MR. ZOBRIST: I'm sorry, page?

21 Q. (By Mr. Williams) 18. In the first attribution
22 to you. Whether it is accurate word for word, is
23 that something that you related at that point in
24 time in terms of the approach of working with
25 regulators?

- 1 A. Absolutely.
- 2 Q. And did Great Plains Energy carry forward in that
3 approach what is relayed in that?
- 4 A. I believe we did. I believe we came in, sat down,
5 sought to seek a settlement. And as I said
6 before, we didn't see any potential for compromise
7 or common ground.
- 8 Q. When you said "we", that was Chris Giles and maybe
9 other personnel?
- 10 A. Maybe other personnel.
- 11 Q. With KCP&L?
- 12 A. Uh-huh. It was absolutely our intent to come in
13 and seek a settlement.
- 14 Q. Then I want to turn your attention to Page 20 of
15 26. I believe there is only one attribution to
16 you on that page. I believe your discussion is in
17 response to an inquiry regarding synergies.
- 18 A. Right. I think that is true today.
- 19 Q. You said at that time there was a need to get in
20 and talk with the staffs of both regulatory
21 commissions and work through the right
22 distribution of synergies? Paraphrasing.
- 23 A. Synergies, interest savings. All different
24 issues.
- 25 Q. And did Great Plains Energy or KCP&L come and talk

1 to the Missouri Commission staff regarding those
2 synergies and interest savings?

3 A. I believe we did. I believe we came in and tried
4 to engage in a settlement process and we did not
5 find any reason to believe that there would be
6 compromise or room for common ground.

7 Q. Then on Page 22, going down from the top of the
8 page. The first attribution to you. There is
9 additional statements regarding "synergy savings"
10 and "engage with the regulators in a way to share
11 those synergies."

12 A. This is exactly how I feel sitting here today.

13 Q. What actions were taken to engage regulators to
14 work towards sharing those synergies?

15 A. Mr. Giles and others met with the staff and
16 explored the potential for options to deal with
17 synergies and the interest and amortization. And
18 the sense was that there was not the potential for
19 compromise and to reach common ground.

20 Q. Then there is an attribution to you, it is
21 reflected at the bottom of Page 23. The text
22 actually shows up on the top of Page 24. There is
23 a statement that, "This is a very straightforward
24 deal." Was that a reference to the acquisition of
25 Great Plains -- of Aquila by Great Plains Energy?

1 A. So what page are we on? So what was the question
2 about that?

3 Q. You make the statement that "This is a very
4 straightforward deal." Is that in reference to
5 the acquisition of Aquila by Great Plains Energy?

6 A. It was the overall deal. The gas properties going
7 to Black Hills and electrical properties going to
8 us. And the recognition that the only real merger
9 discussions were going to take place in Missouri,
10 which is the same state. It is not like you have
11 to go to 15 states and work out merger issues.

12 Q. You also indicate, "It is certainly a lot less
13 complex to us than a rate case would be." Is that
14 in reference to this case that is pending before
15 the Commission?

16 A. I'm not very sure what -- it wasn't a specific
17 case. It was just my general sense that we were
18 not going to have to get into as much detail, fact
19 finding as you would in a rate case. That's what
20 I thought at that time.

21 Q. Do you believe that now?

22 A. I wouldn't say it is a lot less complex. It still
23 might be somewhat less complex. I would say it is
24 a lot less complex.

25 Q. Do you know if any other utilities have proposed a

1 similar regulatory plan as that that is proposed
2 in this case and in the other merger case in
3 Missouri?

4 A. A similar in Missouri? No, I don't know.

5 Q. Does Great Plains Energy have an obligation to
6 Aquila to use its best efforts to receive
7 regulatory approval of this merger?

8 A. Yes.

9 Q. Do you know if the staff of the Missouri Public
10 Service Commission has had service quality
11 concerns with Aquila in the past?

12 A. I don't know if they have. My sense is that they
13 have, but I don't know. I have not had any direct
14 conversation.

15 Q. Do you know if Aquila is currently providing
16 service quality reporting to the Missouri staff?

17 A. I don't know.

18 Q. Do you know if Kansas City Power & Light Company
19 is providing service quality reports to the staff
20 in the Office of the Public Counsel?

21 A. I suspect they are. I don't know for sure.

22 Q. What is an acceptable level of service quality for
23 regulated electric customers?

24 MR. ZOBRIST: Let me just object. That
25 is somewhat vague and ambiguous.

1 A. I could give you an hour talk on that.

2 Q. (By Mr. Williams) Well, what specific metrics
3 ~~would you rely on, or indicators~~ would you rely on
4 that an electric utility in Missouri is providing
5 adequate service quality to its customers?

6 A. Well, I mean, there are standard metrics that talk
7 about length, duration of the outage. Frequency
8 of the outage per customer. And then there is one
9 that is my favorite that I think we focus a lot
10 on, and that is the number of customers who have
11 had exceedingly high frequency of outages. What
12 percent of your customers have had more than four
13 outages, for instance. Because those are the ones
14 that are exercised three times as much as ones
15 that have two outages.

16 So to be able to have a program that
17 identifies those and reacts promptly when it
18 begins to happen, I think is a critical effort of
19 service quality as well. So the standard industry
20 metrics, and then there are those kinds of metrics
21 that go into the customer's psychology of an
22 outage.

23 Q. What actions have Great Plains Energy and Kansas
24 City Power & Light Company done to prepare to
25 ensure that service quality for Aquila's customers

1 and KCP&L's customers will not deteriorate if
2 Great Plains Energy acquires Aquila?

3 A. Well, I mean, we are going to maintain our capital
4 investment, our programs, our monitoring, our
5 proactive response. And we are going to apply
6 those same approaches and processes to Aquila. We
7 are also -- as we indicated earlier, are committed
8 to step up our capital investment to make sure
9 that our system is robust to supply their needs.

10 Q. How do Kansas City Power & Light Company and Great
11 Plains Energy plan to monitor customer service
12 quality after Great Plains Energy acquires Aquila?

13 A. All the metrics that I just talked about,
14 including percent of customers with more than four
15 outages. We have that on a balanced score card.
16 Monitor on a quarterly basis, initiate proactive
17 response. We do it by regions. Pay a lot of
18 attention to it. And I might add, I'm sure you
19 saw recently where we had the benchmarking company
20 come in, I am trying to think of the name of the
21 benchmarking company. There is a company that
22 benchmarks utilities across the country. 150
23 different utilities. And looks at our reliability
24 practices and our records. So they do both.

25 I mean, to your point earlier, if you

1 are not in as heavily a tree'd area as the East
2 Coast, then you are naturally going to have better
3 reliabilities statistics. So they try to adjust
4 for that. And just to make an assessment based on
5 practices, processes, customer communications,
6 technology being deployed, and results, you know,
7 who does the best job on service reliability.

8 And just last month we were recognized
9 as being a premiere utility in the country. They
10 tell me that of 150 utilities, we provide the best
11 service reliability. We received that award. So
12 those are the exact policies, practices I am
13 talking about we would apply to the Aquila
14 operations.

15 Q. It is my understanding that Kansas City Power &
16 Light Company currently provides quarterly service
17 quality reporting to the Missouri staff -- staff
18 of the Missouri Public Service Commission and to
19 the Office of the Public Counsel. Would Kansas
20 City Power & Light Company be willing to increase
21 the frequency of the reporting to monthly post the
22 merger?

23 A. It would be something that we would have to
24 negotiate. I don't want to have to try to
25 negotiate with my people that are doing that. I

1 wouldn't say no to it. We would talk about it.

2 Q. Do you know when the Missouri Public Service
3 Commission was contacted regarding settlement
4 discussions in this case?

5 A. I don't. I do not know when.

6 Q. Do you know who would have made that contact?

7 A. I suspect Chris Giles.

8 Q. Do you know who on staff would have been
9 contacted?

10 A. I do not know.

11 Q. Do you know if Great Plains Energy, Kansas City
12 Power & Light Company offered the staff any
13 alternative to the merger as proposed in the
14 application?

15 A. My sense is we did. We indicated a willingness to
16 talk about all the different factors and to look
17 for common ground. And my sense was that there
18 was not flexibility on the staff's part to do
19 that. We didn't have the potential to reach
20 common ground. Again, I wasn't a direct party.
21 That is just the sense that I got from the reports
22 back.

23 Q. Do you know if Kansas City Power & Light Company,
24 Great Plains Energy proposed any alternative to
25 the plan as it submitted it for approval or if it

1 required that some other party develop a proposal?

2 A. I don't know about the process.

3 Q. Do you believe it is staff's role to develop in
4 the first instance an alternative plan in an
5 effort to reach a settlement?

6 A. In my experience the two parties sit down and
7 agree that they are going to seriously be willing
8 to look at a compromise, reach a common ground.
9 Who develops the first draft is not material. It
10 is really more, you know, getting agreement that
11 we have the willingness and ability to compromise.

12 Q. Is your knowledge regarding whatever settlement
13 discussions that have occurred between staff and
14 great -- staff and Missouri Public Service
15 Commission and Great Plains Energy or KCP&L been
16 relayed to you by other individuals?

17 A. Yes, it has. People I have great trust and faith
18 in.

19 Q. Can we take a few minutes. Because you provided
20 some documents that I haven't had a chance to take
21 a look at.

22 MR. ZOBRIST: I just have one clean-up
23 questions. Do you want to have other people
24 ask any questions right now or do you want to
25 continue?

1 MR. WILLIAMS: That's fine.

2 EXAMINATION BY MR. ZOBRIST:

3 Q. I just have one quick question. Mr. Chesser, you
4 were asked about this award that the company
5 recently received by a firm that did benchmarking
6 for the American utilities. Was that by P.A.
7 Consulting?

8 A. It was P.A. Consulting, yes. Thank you.

9 MR. ZOBRIST: I don't think that I have
10 anything else.

11 MR. MILLS: I will wait until they are
12 done. I have a few questions.

13 (A short recess was taken.)

14 (Exhibit Number 33 was marked.)

15 EXAMINATION BY MR. WILLIAMS:

16 Q. I am going to hand you what has been marked as
17 Exhibit Number 33. Do you recognize that exhibit?

18 A. Uh-huh.

19 Q. What is that exhibit?

20 A. It is a minutes of a telephonic meeting of the
21 Board of Directors. October 8, 2007.

22 Q. Was there any presentation provided in association
23 with this meeting?

24 A. I don't recall. I don't believe there was.

25 Q. I want to turn your attention to the paragraph on

1 the first page that begins with "Mr. Chesser"?

2 A. Uh-huh.

3 Q. It looks like it is the next to the last sentence.
4 There is a statement, "He overviewed several
5 matters related to assumptions underlying previous
6 evaluation analyses, adding that none were
7 material in nature and also discussed the possible
8 implications of several regulatory scenarios."

9 A. Uh-huh.

10 Q. What were those regulatory scenarios?

11 A. I don't recall exactly, but I suspect they were,
12 you know, if we don't get everything we are asking
13 for, what the implications would be if we don't --
14 if the synergies get spread out over a longer time
15 or the transaction recovery cost gets spread out
16 over a longer time. We were just sharing with the
17 Board we were looking at different scenarios and
18 calibrating that things -- and developing plans to
19 be able to prepare for those scenarios.

20 Q. Were those scenarios -- did you review them before
21 Mr. Basham provided them to the Board?

22 A. I don't think I did in advance review them. I
23 can't remember. This is a category to me of a
24 routine update. The kind of thing the Board
25 routinely expects you to do. Don't just go on the

1 one thing that you have planned, but look at
2 variations around it and tell us what you would do
3 about it.

4 Q. I see in the last sentence of that paragraph it
5 states, "Mr. Chesser noted that the recovery of
6 Aquila's actual interest costs will be a key issue
7 in the regulatory process." Is that still the
8 case?

9 A. I actually think all three are key issues.

10 Q. Do you know why Great Plains Energy decided to
11 acquire Aquila through a merger as opposed to
12 stock acquisition?

13 A. You mean through -- I think the answer to that
14 question is, the way you phrased it is no, I'm not
15 sure I do.

16 Q. Earlier you indicated that you had had some
17 written materials that you had provided to the
18 Aquila Board of Directors when you met with them.
19 Would you be willing to provide those materials to
20 the staff of the Missouri Public Service
21 Commission?

22 A. I thought we -- if we provided those -- if we had
23 written materials, which I seem to recall we had
24 one or two slides, I would be happy to.

25 Q. Or if you have already provided them?

1 A. I think we might have. It was very generic.
2 There were key features of that diagram that I
3 talked from. Winning culture in the center and
4 the key strategic initiatives. That's where I
5 basically talked the whole time.

6 MR. WILLIAMS: I don't have any further
7 questions. Thank you.

8 THE WITNESS: Thank you then.
9 Appreciate it.

10 MR. WOODSMALL: I have a few.

11 EXAMINATION BY MR. WOODSMALL:

12 Q. Again my name is David Woodsmall. Nice to meet
13 you, sir. You talked previously about some of the
14 mergers that you were involved with. I believe
15 one of them was GPU, First Energy?

16 A. Right.

17 Q. Did you testify or file any written comments or
18 anything in context to that merger?

19 A. Now you are testing. I did I believe testify. I
20 was made available for questioning. And I drove
21 all the way down there and they like asked me two
22 questions. They had no real interest in the
23 president that was leaving, they were more
24 interested in talking with the president that was
25 staying.

1 Q. So you didn't file any written testimony about the
2 merger, the regulatory plan, anything surrounding
3 the GPU or First Energy?

4 A. Most of that came from the First Energy side.

5 Q. Similarly looking at the Atlantic Energy Delmar
6 transaction?

7 A. I didn't do anything there.

8 Q. You made the statement that it was your impression
9 or your knowledge that looking nationwide that
10 retention of synergies are 50/50?

11 A. Right.

12 Q. What do you base that upon?

13 A. We asked our consultant, who is testifying in this
14 case, to do that assessment. To go through all
15 the mergers that have been approved for utilities
16 for the last ten years and identify what the
17 synergies and saving agreement was. My sense was
18 it was somewhere more in one direction, somewhere
19 more in the other, but it averaged around 50/50.

20 Q. You had no knowledge of that subject prior to
21 retaining this consultant?

22 A. Well, when I went back to my previous merger
23 experiences I know 50/50 was something that we
24 were talking about in those two cases.

25 Q. Okay. Let's expand on that then. The merger

1 savings sharing, do you recall what that was in
2 the context of GPU, First Energy?

3 A. No, I don't know what the ultimate outcome was.

4 Q. Do you recall what was being discussed by the
5 companies there?

6 A. My sense -- I don't know specifically, but my
7 sense was it was 50/50. But there were a lot of
8 other issues in that case that had to do with,
9 they had stranded assets and how many of that were
10 they going to agree not to pursue. And then they
11 got into the issue of rate cap. Because that was
12 during a period of time when rates were level and
13 they weren't going up like they are today. So the
14 case was a lot more complicated. I really can't
15 go back.

16 Q. I may be missing something. You talked about
17 hiring the consultant. I guess first question is
18 which consultant are you talking about there?

19 A. I can get you that. I can't remember. I think it
20 was the guy who testified in this --

21 Q. Is it Mr. Kemp?

22 A. I think that was him, yes.

23 Q. Do you know when he was retained?

24 A. We may also have gotten that information provided
25 from our investment bankers.

1 Q. Who was that?

2 A. Credit Suisse. One place or the other I have seen
3 a list of previous mergers and savings. We can
4 get you that information. I would be happy to do
5 that.

6 Q. When, specific to this case the proposal to have
7 the 50/50 sharing of synergies for the first five
8 years, when was that aspect of the application
9 decided upon?

10 A. I believe, that's where I think Credit Suisse
11 comes into play. I am having a hard time deciding
12 who proposed it and who verified it. I think the
13 proposal came from Credit Suisse. I think they
14 were saying that here is the past merger savings
15 and how they had been split. So when we were
16 formulating our proposal, that was the basis on
17 which we made the decision. And then the expert
18 who is testifying I think is validating that.

19 Q. So that proposal was not based upon your
20 experience?

21 A. No.

22 Q. Okay.

23 A. No.

24 Q. You are just saying that that proposal is
25 consistent with what your understanding was?

1 A. Yes. Exactly. Exactly.

2 Q. But again, your understanding is not based upon
3 any particular case that you recall?

4 A. My understanding, there is industry periodicals
5 that talk about merger and acquisitions that have
6 happened in industry and general parameters of
7 what has happened. I remember going to a utility
8 conference back in the late '90s where they were
9 talking about this and how these things work out
10 and what arrangements they generally are able to
11 make with the regulators. So sort of the
12 combination of all of that experience made me feel
13 like 50/50 was market based. And it was validated
14 by the information that Credit Suisse proposed and
15 it has been revalidated by our expert witness.

16 Q. You say sometimes it is more, sometimes it is less
17 on the sharing. Have you drawn any conclusions as
18 to in what situations it may be more, in what
19 situations it may be less, whether it is a
20 deregulated market, anything?

21 A. I think most of these where you are talking about
22 merger savings, it is a regulated market.

23 Q. You have talked repeatedly or you have been asked
24 repeatedly about different meetings you had with
25 Missouri commissioners, different meetings you had

1 with Kansas commissioners. Did you ever have
2 meetings with any FERC commissioners?

3 A. No.

4 Q. Why not?

5 A. I can't recall even discussing that.

6 Q. Why did you feel the need to have meetings with
7 Missouri commissioners?

8 A. To me, the local people that are being affected
9 and people that represent the local people that
10 are being affected, are the ones that we were most
11 concerned about advising. So we met with the
12 commissioners locally because they had the
13 accountability for the Missouri customers. FERC
14 was more of a national issue. I was
15 comfortable -- I can't say whether it was our law
16 firm in D.C. had a meeting with FERC commissioners
17 or not. They may well have.

18 Q. You never did?

19 A. I did not, no.

20 Q. Do you recall any meetings with different aspects
21 of constituents, for instance, legislators,
22 executive branch that are non-PSC?

23 A. I think we had people meet with legislators. I
24 did not meet with any legislators. I did meet
25 with the governor of both states.

1 Q. In person or by telephone?

2 A. In person. And basically said the same thing to
3 them that I said to the commissioners. This is
4 what we are asking for, these are the benefits of
5 the deal.

6 Q. What time frame did you meet with the governor of
7 Missouri?

8 A. I think it was in the similar time frame as we met
9 with these commissioners.

10 Q. And who all was present at that meeting?

11 A. I believe -- well, I know Bill Downey was there
12 with me. And I can't remember if anybody else.
13 Mike Deggendorf might have been there.

14 Q. Any members of the PSC present at that meeting?

15 A. No, they were not. No.

16 Q. Were they invited?

17 A. No.

18 Q. Do you know who arranged that meeting with the
19 governor of Missouri?

20 A. I suspect it was our public relations person Mike
21 Deggendorf.

22 Q. You talked briefly about sometime after you
23 started with Great Plains and before this merger
24 occurred you said you had the sense or you had
25 been asked by regulators, "When are you going to

1 buy Aquila?" Do you recall those comments?

2 A. I have a sense that --

3 MR. ZOBRIST: Let him ask his question
4 first.

5 Q. (By Mr. Woodsmall) Do you recall answering those
6 questions or making that statement?

7 A. Not in that way.

8 Q. Please clarify.

9 A. What I thought I said was I had the sense that my
10 people were being encouraged by the staff to, Why
11 don't you guys get together, get with Aquila and
12 improve service, reduce cost, whatever. That was
13 the sense that I had. My staff was conveying that
14 to my people.

15 Q. Do you recall what staff members you may be
16 referring to?

17 A. As I said, there were multiple conversations. Our
18 people interact with different levels of staff.
19 So I can't point to a specific conversation.

20 Q. Did you ever have any direct communications
21 yourself regarding that subject?

22 A. Not that I recall.

23 Q. You were asked again some questions about the
24 meetings you had with Missouri regulators and then
25 it became more specific to Missouri commissioners.

- 1 And you said several times during that that you
2 didn't ask for any commitments nor did you receive
3 any commitments. Do you recall that?
- 4 A. I remember saying that.
- 5 Q. And you said you never received, quote, "no major
6 objections," unquote. Do you recall that?
- 7 A. I never received -- the way you said it, it means
8 I would have received a major objection.
- 9 Q. I might have had a double negative. I'm sorry.
- 10 A. I never received a major objection, yes.
- 11 Q. Okay. Do you recall whether you received any
12 favorable communications about it at that time?
- 13 A. I really don't. I mean, we basically, the purpose
14 there was, that we stated at the beginning, is we
15 want to make sure that you understand this deal
16 and understand the aspects of the deal. And then
17 we very consciously were going to not ask well,
18 what do you think or anything like that. We were
19 just going to listen to reactions.
- 20 Q. That's what I am asking about. You say you were
21 listening --
- 22 A. For reactions.
- 23 Q. -- for reactions?
- 24 A. It was -- and I said this earlier. It is like the
25 devil is in the details. We will have to look at

1 it.

2 Q. Who told you that?

3 A. I am not quoting that. I am saying that is the
4 sense that I got from the discussion. The same
5 thing I would do if I were a commissioner. Okay,
6 I understand what you are saying. We will have to
7 look at it. But there wasn't anybody -- what I
8 was concerned about is, you know, would there be
9 some reason that we hadn't conceived of why the
10 people would have a significant opposition to it.
11 We didn't hear that.

12 Q. You do not recall any commissioner saying that he
13 viewed it in a favorable light or something
14 similar to that?

15 A. No, I really don't. I really don't. And we
16 weren't asking for that.

17 Q. I understand you weren't asking. But that was
18 never an unsolicited comment, if you will?

19 A. No. I mean, commissioners -- let's put it this
20 way. I can't remember verbatim what went on, but
21 the general reaction I remember is people
22 consciously not committing to anything, realizing
23 it wasn't appropriate to commit at that point.
24 That was the way I felt they were conducting
25 themselves.

1 Q. Did you ever, in the context of meeting with
2 Aquila individuals, indicate that commissioners,
3 the Commission in general, had a favorable view of
4 the transaction?

5 A. I felt favorable because I hadn't heard anything
6 negative from them.

7 Q. Was it your impression that that perception of
8 yours was perhaps different than what was relayed
9 by Aquila people to you?

10 A. I mean, the only discussion I had was with Rick.

11 Q. Okay.

12 A. And I think we both felt good about the
13 conversations. And I felt good -- I'm not sure
14 why he felt good, but I felt good because I hadn't
15 heard anything negative.

16 Q. The concept of regulatory amortizations as it was
17 discussed here today, you talk about four groups
18 of stakeholders. Do you recall talking about
19 those four groups?

20 A. I do.

21 Q. Can you tell me whether in your mind the
22 regulatory amortization mechanism is beneficial to
23 all four of those stakeholder groups?

24 A. I believe it is. Let me start with the customer.

25 Q. Okay.

1 A. Because of regulatory amortization, we are able
2 to -- actually able to build a coal plant in a
3 very challenging environment in a way that will
4 allow us to maintain our investment credit rating.
5 Keep interest rates low, keep rates lower than
6 they otherwise would be. And certainly pass on
7 the benefits of the lower cost coal generation
8 versus natural gas generation. The thing that
9 made that happen was the regulatory amortization.

10 If we didn't have the ability to do
11 that, if we would have had to put our credit at
12 risk, then we wouldn't have gone forward with the
13 plan. So the customers benefit from the lower
14 cost because of that amortization. The
15 shareholders benefit from the lower cost because
16 that rate -- that will eventually get put, that
17 plant will get put into rate base. And more of it
18 being rate based if we didn't have to amortize,
19 but still a lot of it will be in rate based and
20 they will be able to earn a return on that
21 investment. The community I think is better off
22 because it is a more competitive economic
23 environment. Rates are lower, business costs are
24 lower. And the employees obviously are better off
25 because they have a more secure job.

1 Q. The concept of bond holders, debt holders, do you
2 lump them into any of those four stakeholder
3 groups or are they somewhat outside of those four?

4 A. Well, to me, we are in business to provide value
5 to those four stakeholder groups. We are not in
6 business to provide value to the banks. We have a
7 contractual arrangement with the bank. Unless you
8 are in bankruptcy, you are focused on providing --
9 I mean getting your financing done at the lowest
10 possible cost with the right risk per file. But
11 the real four areas that I focus on are those
12 four.

13 Q. So when you talk about shareholders and the
14 concept of the four stakeholders, you are
15 referring only to holders of equity?

16 A. Right. They are our owners.

17 Q. And you said that the regulatory amortization
18 benefited the shareholders because it allows for
19 rate-based items to be added to the company's
20 portfolio?

21 A. Right.

22 Q. Is there benefit to the shareholders from the
23 increased cash flow that comes from the regulatory
24 amortization?

25 A. Well, that is -- one comes from the other. Well,

1 actually -- that is an interesting question. I
2 think the -- by far the main benefit in my mind is
3 that the asset gets built, it is for the
4 rate-based and they earn a return. They get to
5 finance that with their investment with equity and
6 get a return on that investment. The cash flow
7 may reduce risk somewhat for the investor, but I
8 don't think that is the primary benefit. But the
9 amortization does help the, as I said, it helps
10 the customer, because it enables that plant to be
11 available and enable us to keep the rates low.
12 And because it gives -- it also enables us to
13 raise debt at a lower cost, which means that the
14 rates that the customer's pay reflecting the cost
15 of that debt is lower.

16 Q. The context of the customer stakeholder, the only
17 thing you mentioned was that it allows for the
18 construction of a power plant that might not
19 otherwise be built?

20 A. Right.

21 Q. Do you only see then the regulatory amortization
22 mechanism being appropriate in the context of a
23 construction period?

24 A. Of a major construction period. Yeah. I mean,
25 personally that was my view of what this was

1 about. And that's the same thing that Aquila is
2 involved in. They have a major construction
3 program.

4 Q. How would you define then major construction
5 period?

6 A. I think it is a subjective definition. Above and
7 beyond what your normal -- significantly --
8 materially above and beyond what your normal
9 capital outlays would be.

10 Q. I didn't intend to ask these questions and I
11 understand if you feel the need to, I don't
12 know -- let me just ask it. You talked about the
13 merger synergies. And I have a tough time
14 distinguishing merger synergies from those cost
15 reductions that may occur in the normal day-to-day
16 operations. I want to make sure that those are
17 the only two variables we are talking about. So
18 in that light, are you considering any other
19 merger acquisition type activities right now?

20 MR. ZOBRIST: I don't think that is
21 appropriate for this discussion. I mean --
22 and that gets into potential confidential
23 things I may not know about and it could get
24 into violations of the securities laws.

25 Q. (By Mr. Woodsmall) Not asking then specifics.

1 Not to ask specifically of who you may be talking
2 to, are you considering generically any other
3 acquisitions that may --

4 A. Let me tell you what I said publicly. This will
5 help. I am not a believer in growth through
6 acquisition, or growth through acquisition of
7 states. I think that when you acquire a company
8 or merge with another company, as we all see,
9 there is a lot of stress. There is a lot of risk
10 that gets taken on.

11 If you have an organic growth
12 opportunity, when you can just grow your business
13 by the natural growth of the business, then that
14 is a much better way to grow your business than
15 going out and acquiring serially companies. I
16 have said that to the stock market. And I have
17 said that since I came here. I said the only
18 exception I will make is if there is one that just
19 naturally falls together. And that's what has
20 happened with Aquila. The same service territory,
21 the same commission, the same, you know,
22 community. So there is just a natural integration
23 there that exists. But I am not -- I do not look
24 favorably on serial acquisitions across states.
25 That should give you some -- by the way, the

1 biggest reason is we do have a good organic growth
2 opportunity. We have good growth in both KCP&L
3 service area and Aquila service area.

4 Q. When you say "good growth," how do you define
5 that? Is there a percent?

6 A. Our service area is about two percent annually on
7 average and Aquila is about three percent, I
8 guess, or three to four. They have been up even
9 higher than that.

10 Q. When you define that as good, I assume that means
11 relative to a national average?

12 A. Yeah. We are probably just a little -- we are
13 about the national average. Aquila is a little
14 above the natural average. I have worked at
15 utilities where the growth rate was flat.

16 Q. I thought I heard a contradiction there. I will
17 allow you to clarify it. You say that KCP&L had
18 good growth rate, approximately two percent, but
19 then you said that that was about the national
20 average?

21 A. I consider the national average good.

22 Q. Okay. What would be bad then?

23 A. Bad would be flat or negative. Or half a percent.
24 I think you will see, some of the bigger companies
25 in the northeast that are trying -- or had been in

1 the past trying to be more aggressive with
2 merging, were facing those kind of growth rates.

3 Q. When you talk about growth, what is the variable
4 that you are looking at? KWH, customers, peak?
5 What are you looking at?

6 A. KWH primarily.

7 Q. So you would consider it good growth if you are
8 selling increased energy to the same number of
9 customers?

10 A. Well, both. Customers and kilowatts. In fact, as
11 you know, we are seriously looking at energy
12 efficiency and we are hoping to find ways to build
13 negawatts or sell --

14 Q. Explain that to me.

15 A. Do you know what a negawatt is?

16 Q. No.

17 A. If I come to you and I get you to reduce the size
18 of your -- or improve the efficiency of your air
19 conditioner, then the incentive I pay you to do
20 that, I can treat as an investment and earn a
21 return on just as if I were building a power plant
22 to meet your needs.

23 Q. So a negawatt would be a negative megawatt?

24 A. Yes. So basically it is the thing that drives.
25 It is not as much megawatt hour growth, I think

1 you are right, as a community is expanding, new
2 customers coming in, new businesses coming in.

3 MR. ZOBRIST: We may -- we agreed with
4 staff to make Mr. Chesser available for four
5 hours to talk about the merger.

6 Q. (By Mr. Woodsmall) I am done.

7 A. But I am open. If you want to have that
8 conversation off line.

9 Q. No, you answered a question that just sparked that
10 in my mind.

11 A. Sure.

12 MR. WOODSMALL: I have no further
13 questions. Thank you, sir.

14 MR. MILLS: Just a handful if that's all
15 right.

16 EXAMINATION BY MR. MILLS:

17 Q. This is really just sort of a hypothetical
18 question. If you had gotten negative feedback
19 from Missouri commissioners, would you have gone
20 ahead with the transaction?

21 A. You are right, it is a hypothetical. Hard for me
22 to react to. I just don't think I can answer in a
23 hypothetical.

24 Q. So it wasn't -- at the point that you went to meet
25 them, it wasn't a hard and fast rule that if you

1 got any kind of negative feedback you would just
2 pull back?

3 A. No.

4 Q. You would have to evaluate what happened and see?

5 A. Right. It is just another variable that you
6 factor into the decision.

7 Q. If you had gotten some sort of a negative reaction
8 from any of the commissioners, would that have
9 spurred you to engage stakeholders in discussions
10 about how to resolve issues?

11 A. Again, this is really where I am coming from on
12 this. I have wanted to engage stakeholders on
13 resolving these issues from the time we started.
14 There has been no indication from me to our folks
15 that we should do anything but try to make that
16 happen. And that includes all the way up to
17 today. I mean, I am still game to try to make
18 this happen. I prefer that approach. I think it
19 is, everybody is better off if you can reach that
20 kind of an agreement.

21 Q. What efforts during the -- since the merger was
22 announced has either KCP&L or GPE made to try to
23 reach out to Office of Public Counsel for example?

24 A. Again, I don't have any direct first knowledge of
25 that. My sense was that our regulatory folks were

1 doing that. And that they were getting an
2 indication that there wasn't a potential
3 compromise or to reach common ground. But I
4 think, my experience in the regulatory process is
5 we should always be willing to continue talking,
6 to look into options.

7 Q. And on what do you base the understanding that
8 there had been efforts to reach out to Office of
9 Public Counsel?

10 A. As I say, I don't know -- I can't say that I have
11 an understanding specifically of public counsel.
12 You are differentiating between public counsel and
13 the staff. I don't think I have any direct
14 conversation with people who have said, "Did you
15 reach out to the public counsel?" I haven't had.
16 So I think about sort of the stakeholders in Jeff
17 City. And the feedback I was getting from our
18 folks was the stakeholders in Jeff City did not
19 seem to have the potential to reach common ground.

20 Q. When you say "stakeholders," can you identify any
21 entity other than the commission staff that was
22 included?

23 A. I don't know. I don't know if they were. I mean,
24 I am just telling you what my mind-set is. I was
25 thinking that my staff was talking to stakeholders

1 which would include public counsel, which would
2 include industrial representatives, include staff.
3 So that was my sense. Okay.

4 Q. Now, did you talk to Rick Green at the time that
5 you were setting up meetings with commissioners?

6 A. Did I talk to him at the time that we were setting
7 up meetings with commissioners. I talked to him
8 after the meeting. I think I talked to him and
9 told him when we were going to meet.

10 Q. So before you met with the commissioners, you knew
11 that Aquila and GPE, KCP&L were going to be
12 meeting?

13 A. Yes. I knew that.

14 Q. Did you know before you met that you were going to
15 meet with all the commissioners?

16 A. I personally didn't know. I didn't know who was
17 going to be there, who wasn't going to be there.
18 I was counting on my folks to set that up.

19 Q. Did you know that Aquila was only planning to meet
20 with the chairman of the Commission?

21 A. I did not know that.

22 Q. Did you know that after the fact?

23 A. Not really. I mean, if you had asked the other
24 way, do you know whether you met with one or all
25 of them, I would say no. I don't.

1 Q. So after -- did you and he compare notes after you
2 met?

3 A. We had a general conversation that said that we
4 both had a favorable impression from the meetings.

5 Q. In the course of that general conversation you
6 weren't aware that he only met with one
7 commissioner?

8 A. I mean, I may have been at the time. My
9 recollection sitting here is I can't remember.

10 Q. Okay. In terms of operations, would it generally
11 be easier for GPE if KCP&L and Aquila are both in
12 SPP as opposed to KCP&L and SPP and Aquila in
13 MISO?

14 A. I think it would be. I think it would be
15 something worth pursuing.

16 Q. Would there be cost savings to GPE in terms of
17 being able to joint dispatch or run operations
18 more efficiently if they were both in the same?

19 A. Again I am not an expert in this area, but my
20 sense is it would be. It certainly is worth
21 pursuing.

22 Q. Now, have you had conversations with credit rating
23 agencies since the announcement of the merger?

24 A. Well, I know our folks have extensively. I'm
25 trying to think. I can't remember if I have met

1 in New York with them. I think actually, I think
2 what happened was I went to New York to meet with
3 them, I got sick and never did get a chance to
4 meet with them. I am sitting here thinking, yeah,
5 I know I went to meet -- actually I was. I was
6 sick. I had to stay in my hotel room, I never got
7 a chance to meet with them.

8 Q. You met with the commissioners, I believe you said
9 shortly before the merger was publicly announced;
10 is that right?

11 A. Uh-huh.

12 Q. Had you had conversations with any of those
13 Missouri commissioners in times before that about
14 just in general whether that would be a good
15 combination for Missouri?

16 A. Certainly nothing during the time of that process
17 we had going on. I had spoken to many people,
18 including the analyst, about my thought that it
19 would be a good destination for us to be a strong
20 regional utility. But I didn't -- I don't think I
21 ever said anything beyond that. I didn't get into
22 how a strong regional utility could potentially --
23 Westar could be integrated, particularly Aquila
24 could be integrated. Nothing that is not part of
25 the region would be considered. So I used that

1 strong regional utility in conversation quite a
2 bit. So I might have said that.

3 Q. You said that around that same time you met with
4 the governors of Missouri and Kansas; is that
5 correct?

6 A. Yes.

7 Q. And did you get any feedback from either the
8 Kansas or the Missouri governor about the
9 prospective deal?

10 A. Again, we were asking for things. We made sure
11 they knew we were asking for things. Their
12 general reaction was, "Well, we are going to have
13 to have the Commission look to see if that is
14 reasonable." I think the reaction I got from both
15 of them is that they were relieved there wasn't
16 somebody coming in from out of state to acquire
17 Aquila. For whatever reason they seemed, both
18 states liked to have local control over the
19 assets. But beyond that I don't remember.

20 Q. You said you told the governors that you were
21 asking for things. Is that essentially the three
22 major items that you mentioned before?

23 A. The same thing. We told just about the same
24 speech for everybody.

25 Q. As we are getting ready to go to hearing next week

1 on this case, what are the major issues from
2 KCP&L's or GPE's standpoint in the case?

3 A. Well, again, as I laid out before, I think we need
4 to find a way to deal with the synergies, the
5 interest costs, amortization. Some way of
6 managing the transaction and transition costs. I
7 think those -- as I see it, those are the main
8 issues. And I am ready, willing and able to talk
9 about them.

10 MR. MILLS: Those are all the questions
11 that I have. Thank you.

12 MR. ZOBRIST: I have no questions.
13 Renee, I assume you don't.

14 MS. PARSONS: I have no questions.

15 MR. ZOBRIST: Do you want to read and
16 sign your deposition?

17 THE WITNESS: Sure.

18 MR. ZOBRIST: Read and sign. Waive
19 formal presentment. Attach hard copies just
20 like we did with the Aquila.

21 (The deposition concluded at 1:10 p.m.)

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_____ I certify that I have read my testimony and request
No changes be made.

_____ I certify that I have read my testimony and request
the above changes be made.

MICHAEL J. CHESSE

Subscribed and sworn to before me this _____
day of _____, 2007.

My commission expires _____.

Notary Public

Missouri Public Service
JAL 11-28-2007

C E R T I F I C A T E

STATE OF MISSOURI)
) SS.
COUNTY OF JACKSON)

I, JAMES A. LEACOCK, Certified Court Reporter,
within and for the State of Missouri, do hereby certify
that pursuant to Notice to Take Deposition there came
before me:

MICHAEL J. CHESSER,

who was by me first duly sworn to testify the whole
truth of his knowledge concerning this matter in
controversy aforesaid; that he was examined and his
examination then and there written in shorthand by me
and afterwards typed, being correctly and accurately
set forth in the foregoing 143 pages; and said
deposition is now herewith returned.

I further certify that I am not counsel, attorney
or relative of either party or clerk or stenographer of
either party, or of the attorney of either party, or
otherwise interested in the event of this suit.

IN WITNESS WHEREOF, I have hereunto set my hand
and affixed my Seal at my office in Independence,
Missouri, this 30 day of November, 2007.

James A. Leacock

James A. Leacock, CCR
Certified Court Reporter #662

