

1 integration a little more.

2 A. Okay.

3 Q. Because you made a distinction between integration
4 and acquisition. So what was it you had in mind
5 with integration?

6 A. At that point in time there is -- there are all
7 forms of integration. You could have a merger of
8 equals, of the two companies. We could acquire
9 them. We would have to do something with the gas
10 properties if we acquired them. I really wasn't
11 thinking about the legal structure, I was thinking
12 about the operational integration, because to me
13 this whole thing makes sense because the
14 operational integration benefits those four
15 stakeholder groups.

16 Q. Who were you employed by before you became
17 employed by Great Plains Energy?

18 A. I was employed by Suez. And the subsidiary
19 company was United Water. I was chief executive
20 officer of United Water, headquartered in
21 Harrington Park, New Jersey.

22 Q. What were your job duties with United Water?

23 A. United Water operated and regulated water
24 utilities, and also operated other water systems
25 under contract for cities around the United

1 States.

2 Q. Why did you leave United Water to join Great
3 Plains Energy?

4 A. I left United Water before I joined Great Plains.
5 United Water had a restructuring, and I left at
6 the time of that restructuring.

7 Q. When did you -- since you have indicated I guess
8 there was a hiatus in between. When did you first
9 become employed by United Water and when did you
10 leave employment with United Water?

11 A. You are going to test my memory on some of this.
12 I think I first became -- I mean, I can get you
13 the specific biographical dates if that is
14 important. If you are just looking for an
15 indication, I was with United Water about two
16 years, and left in May of 2003 and became employed
17 by Great Plains in October.

18 Q. Before your employment with United Water, who were
19 you employed by?

20 A. I was employed by GPU, which is an energy company
21 headquartered in Morristown, New Jersey.

22 Q. What was your position at GPU?

23 A. I was a CEO of their regulated utility in effect.
24 They served properties in New Jersey and
25 Pennsylvania.

1 Q. What type of a utility operation?

2 A. It was strictly an electric utility.

3 Q. What were your job duties there?

4 A. As CEO I set the strategy and executed against the
5 strategy to serve the customers in Pennsylvania
6 and New Jersey. And we built -- there was no
7 generation, it was all transmission and
8 distribution.

9 Q. Why was it that you left GPU?

10 A. They were acquired by First Energy.

11 Q. And in connection with that acquisition your
12 employment was terminated?

13 A. I elected to terminate. I had the option to
14 terminate. I elected to terminate.

15 Q. Before you began your employment with GPU, who
16 were you employed by?

17 A. I was employed by Itron, which is a meter reading
18 company in Spokane, Washington. I was employed by
19 them for about a year. I was CEO of Itron.

20 Q. What were your job duties in connection with your
21 employment at Itron?

22 A. Chairman of the Board, CEO. Set the strategy.
23 Make sure we execute against the strategy.

24 Q. Before you became employed by Itron, who were you
25 employed by?

1 A. I was employed by Atlantic Energy.

2 Q. What were your job duties at Atlantic Energy?

3 A. My job duties at Atlantic Energy were, I was
4 president and chief operating officer. So I was
5 the number two person. Again, it was an electric
6 utility responsible for executing against the
7 strategy to serve customers and build shareholder
8 value.

9 Q. What were your dates of employment with Atlantic
10 Energy?

11 A. 1994 I believe to 1997 I think, or '98. I left
12 somewhere in the winter of '97. The winter of '98
13 or fall of '97.

14 Q. You said electric utility operations. Were those
15 regulated operations?

16 A. They were regulated operations. But we also had
17 some non-regulated activities in the City of
18 Atlantic City. We had a district heating and
19 cooling system that we operated on a non-regulated
20 basis.

21 Q. Why was it that you left Atlantic Energy?

22 A. We were acquired by Delmarva Power.

23 Q. Was it your choice to leave?

24 A. It was my choice again under the provisions of the
25 employment contract.

1 Q. Before Atlantic Energy, who were you employed by?

2 A. Baltimore Gas and Electric.

3 Q. What was your position and your job duties at

4 Baltimore Gas and Electric?

5 A. The final position was vice president of

6 marketing, but I was there from '71 to '94. So I

7 progressed through all aspects of the business.

8 Q. What is the nature of the activities of Baltimore

9 Gas and Electric while you were employed there?

10 A. A fully integrated gas and electric utility

11 supplying the Baltimore region.

12 Q. Did it engage in regulated utility operations?

13 A. Yes, they did.

14 Q. Why was it that you left Baltimore Gas and

15 Electric Company?

16 A. I had the opportunity to go to Atlantic Energy for

17 a promotion.

18 (Exhibit Number 28 was marked.)

19 Q. (By Mr. Williams) I hand you what has been marked

20 as Exhibit Number 28. What is that Exhibit Number

21 28?

22 A. Okay.

23 Q. What is that Exhibit Number 28?

24 A. What is it? It is a question that I guess that

25 was part of discovery. Asking about contacts that

1 GPE had with state, federal or other regulators.

2 Q. Is it a response that was provided?

3 A. Yes, it does.

4 Q. Does that response indicate that there were
5 meetings with Missouri commissioners regarding
6 Great Plains Energy acquisition of Aquila on
7 January 17th of 2007?

8 A. Let's see. Yes, it does.

9 Q. Do you know if that date is correct?

10 A. I believe it to be correct, yes.

11 Q. Do you know if any of the Missouri commissioners
12 had any prior knowledge of Great Plains Energy's
13 efforts to acquire Aquila?

14 A. I don't know of any prior knowledge.

15 Q. Did Great Plains Energy rely on responses or
16 non-responses from commissioners or Missouri staff
17 in deciding whether or not to go forward with the
18 acquisition of Aquila by Great Plains Energy as
19 announced subsequently?

20 A. Our objective was to listen, to see if there were
21 any major objections that we were not aware of.
22 We did not have conversation -- we did not ask for
23 commitments or opinions that would allow us to
24 conclude that they were supportive or not
25 supportive. But our objective was to listen and

1 see if people volunteered any major objections.

2 And no major objections were volunteered.

3 (Exhibit Number 29 was marked.)

4 Q. (By Mr. Williams) I hand you what has been marked
5 as Exhibit Number 29. What is that exhibit?

6 A. Project Asteroid management presentation. The
7 Board of Directors February 1st, 2007.

8 Q. Were you at that Board of Directors meeting?

9 A. I was.

10 Q. Are you familiar with that exhibit then, the
11 contents of it?

12 A. It looks familiar. I haven't seen this since last
13 February.

14 Q. Is that material that was presented to the Board
15 of Directors of Great Plains Energy?

16 A. I believe it was, yes.

17 Q. Would you turn to I believe it is Page 6. It may
18 not have a page number on it. Does it state on
19 that page that representatives of Great Plains
20 Energy met with regulators on January 17th?

21 A. Actually no, it says January 24th.

22 Q. Do you know if that date is incorrect or correct?

23 A. I honestly do not know. I know we met one time.
24 I don't know -- it was in January.

25 Q. Was the board of Great Plains Energy provided any

1 information regarding the meetings with regulators
2 in terms of response or non-response?

3 A. We reported exactly what happened. So we educated
4 the commissioners on the deal. We didn't ask for
5 any commitments. We got no commitments. And we
6 got -- and no objections were voiced at the time.
7 Which doesn't mean that there aren't any
8 objections, just that none were voiced at the
9 meeting. They are very clear with the Board that
10 we were not -- it was not appropriate to get into
11 a discussion around commitment.

12 Q. So you relate to the Board there were no
13 objections voiced by Missouri Commission staff?

14 MR. ZOBRIST: That is a different
15 question.

16 A. First of all, I was talking about the
17 commissioners,

18 Q. (By Mr. Williams) That was my point of
19 clarification. We are addressing regulators, I
20 believe.

21 A. Right. Okay.

22 Q. That's the reason for the question.

23 A. I am trying to remember exactly how we -- what we
24 communicated at the time. I can tell you I recall
25 being -- I expected the staff to fully embrace it

1 when we explained it to them. Expected them to --
2 feel like it was a worthwhile -- expressed to us
3 that they felt it was a worthwhile thing to move
4 forward with. They expressed some concern about
5 whether this was going to be a benefit to KCP&L
6 customers, which I didn't understand. My belief
7 was, we just need to sit down and get into it once
8 we make the decision whether to go through with
9 it.

10 So I think we probably shared with our
11 Board there was some trepidation or some
12 reservation. Not trepidation, but some
13 reservation. We weren't into the details of,
14 "This is how it would work" and "This is why it
15 should be done." We weren't into the
16 negotiations. I had a hard time assessing what
17 the ultimate position of the staff was going to
18 be. I couldn't make that judgment based on the
19 conversations that we had.

20 Q. I believe that document refers to Giant, does it
21 not?

22 A. Uh-huh.

23 Q. Who is Giant?

24 A. Giant was Great Plains Energy.

25 (Exhibit Number 30 was marked.)

- 1 Q. (By Mr. Williams) I am going to hand you what has
2 been marked as Exhibit Number 30. What is that
3 exhibit?
- 4 A. Telephonic meeting of the Board of Directors of
5 Great Plains January 8th.
- 6 Q. Are those minutes of that meeting?
- 7 A. Yes, they are.
- 8 Q. Are you familiar with those minutes?
- 9 A. I am.
- 10 Q. Is there a reference to Asteroid in that document?
- 11 A. Yes, there is.
- 12 Q. What does Asteroid refer to?
- 13 A. Aquila.
- 14 Q. I believe it is in the second paragraph maybe
15 towards the bottom of that. I believe you make a
16 statement to the effect that you told the Great
17 Plains Energy Board of Directors that the
18 opportunity from Great Plains Energy's acquisition
19 of Aquila was to functionally integrate Aquila
20 into the company's existing operation?
- 21 A. Right.
- 22 Q. Are you referring to the functionally integrate
23 Aquila and Kansas City Power & Light Company's
24 operation?
- 25 A. It says, "Functionally integrate Asteroid into the

1 company," meaning KCP&L. Functionally integrate
2 into the operations. Clearly what I mean there is
3 we would have a common fleet, we would have a
4 common call center, we would have a common
5 dispatch system. Do all the things that we needed
6 to to utilize operating synergies. I was not in
7 any way considering any kind of legal structure in
8 that comment. Can we --

9 MR. WILLIAMS: Sure, we can take a
10 break.

11 (A short recess was taken.)

12 Q. (By Mr. Williams) Was there a management
13 presentation made to the Board of Directors at the
14 January 8, 2007 board meeting, do you recall?

15 A. I really don't know exactly --

16 (Exhibit Number 31 was marked.)

17 Q. (By Mr. Williams) Let me hand you what has been
18 marked as Exhibit 31. Do you recognize that
19 exhibit?

20 A. I do.

21 Q. What is it?

22 A. It is the Project Asteroid Management Presentation
23 at the January 8th, 2007 board meeting.

24 Q. Did you attend that board meeting?

25 A. Yes.

- 1 Q. What is the Project Asteroid management
2 presentation referring to?
- 3 A. The process of bidding to acquire Aquila.
- 4 Q. Do you know who presented that material to the
5 Board?
- 6 A. I believe it was Terry Basham.
- 7 Q. I want to turn your attention to Slide 11 of that
8 presentation, which I believe has a caption,
9 "Visit with Regulator."
- 10 A. Uh-huh.
- 11 Q. Did you or Mr. Basham present that material to the
12 Board?
- 13 A. I think Mr. Basham did.
- 14 Q. Does that present management's views or the Board
15 of Directors' views? On Slide 11, regarding
16 visits with regulators.
- 17 A. Okay, so you are saying does this --
- 18 Q. Whose viewpoint is that presenting?
- 19 A. Pardon?
- 20 Q. Whose viewpoint is that presenting regarding
21 visits with regulators?
- 22 A. I would say this was management's proposal to
23 the -- or communication to the Board the approach
24 that we were going to take. I don't think the
25 Board took -- they weren't asked to take a

1 position.

2 Q. Did anyone at the Board voice any opposition to
3 it?

4 A. No. I don't recall that they did. But they
5 weren't asked to take a formal position on it.

6 Q. What is management proposing -- is management
7 proposing that there is a need for a visit with
8 regulators in that slide?

9 A. I think I will go back to what I said before. We
10 felt it was necessary to communicate with
11 regulators the basic dimensions of the deal that
12 we were going to ask for. First of all, educate
13 them on the structure of the deal and communicate
14 the basic provisions. And it was going to be
15 important to listen to see if there were any major
16 options. That was the whole tone. We did not
17 intend to get into any kind of -- to ask for any
18 commitments or to give any commitments.

19 Q. Are those -- and I believe it is three or four
20 bullet points -- the reasons that management had
21 for why visits were needed with regulators?

22 A. Well, I think this is awkwardly worded actually.
23 These were the dimensions of the deal that we
24 needed to communicate to the commissioners. We
25 did not need to get agreement on these in order

1 to -- and did not expect to get an agreement. Did
2 not ask to get an agreement.

3 Q. I turn your attention to what is marked as Slide
4 13. What is the title of that slide?

5 A. Risk Mitigation Options.

6 Q. What are relayed in terms of Risk Mitigation
7 Options?

8 A. What is related on here?

9 Q. Yes.

10 A. Well, this gets into the discussions I was having
11 earlier. There are a whole variety of things that
12 could potentially impact the deal. And in the end
13 you assign a probability based on your best
14 knowledge and make a judgment and make sure that
15 your offer price reflects the probabilities and
16 the risks that you see around these kinds of
17 items. So the first bullet point is negative
18 impacts of cash position, danger of credit rating,
19 and have anything in there, things that you can do
20 to offset that potentially. Reducing capital
21 expenditure, selling strategic energy.

22 If Missouri Public Service Commission
23 denied the actual cost of debt, then we could take
24 action such as lowering our earnings, increasing
25 amortization. If they denied synergy treatment,

1 it would endanger the accretion in the early years
2 of the plan. Not in later years of the plan. So
3 these are all just factors the Board needs to be
4 aware of in making their assessment.

5 Q. Has Great Plains Energy discussed any of those
6 factors with the parties in this merger case, in
7 terms of trying to reach some kind of an
8 accommodation?

9 A. When you say "parties," you mean the staff?

10 Q. Any of the parties.

11 A. Again, to my knowledge we have engaged with the
12 staff on what could be done with these three
13 requests that we have, the synergy split, the debt
14 and the amortization. And we tried to determine
15 if there was any potential for common ground or
16 compromise. My sense is, not having been at the
17 meetings, a judgment was made there was not
18 potential for common ground.

19 Q. Have you flip to the next slide, Number 14. Since
20 it is not a color copy, it is not the best copy in
21 the world.

22 A. But I have it committed to memory.

23 Q. Good. Where does the rate customers pay for
24 utility service fit in GPE's strategic intent?

25 A. The operational excellence. Tier one. One of the

1 first things that we look at is rate levels. And
2 customer satisfaction is another key piece to it.
3 And by the way, we just got our report the other
4 day from the J.D. Power survey and it shows that
5 the customers are top tier in their satisfaction
6 with rates, service, right on down the line. And
7 that the operational improvements we have put in
8 place in recent years have already taken hold and
9 there have been significant improvements from year
10 to year.

11 Q. In comparing utility customer rates to increasing
12 shareholder value, which is more important in
13 Great Plains Energy's strategic intent?

14 A. I think one leads to the other. I think if you
15 have a low cost efficient utility, then you are
16 going to have a higher return on the shareholder
17 investment. If you have a high cost, inefficient
18 utility, you are likely to get a lower return on
19 shareholder investment. So I think there is not
20 an either or there.

21 Q. Would you turn to Slide 29 which may be the last
22 one. Close to the end of that. And what is
23 presented on that slide?

24 A. "Below is capex spending assumed in the valuation
25 model above the levels contained in Asteroid's

1 current budget."

2 Q. Is that indicating that Great Plains Energy
3 anticipates expending more capital on Aquila than
4 Aquila currently plans to invest, if the
5 acquisition of Aquila takes place?

6 A. It does, yes.

7 Q. Won't the costs associated with that additional
8 capital place upward pressure on the rates that
9 Aquila customers would be asked to pay?

10 A. In some cases yes, some cases no. Some of this is
11 intended to reduce operating costs. So investment
12 in power plants, per capita power plants, reduce
13 operating costs, and improve output, improve sales
14 within the grid, it could actually improve
15 customer impacts.

16 In other cases it was our judgment that
17 some investments needed to be made to elevate
18 Aquila's quality of service. The -- as I said,
19 our quality of service numbers are top tier and
20 theirs were significantly below that. So we felt
21 in certain cases, needed to invest in
22 transformers, equipment, upgrades, to give
23 Aquila's customers the kind of service that we
24 thought was -- they expected. So in those cases
25 there would be some potential increase. But

1 again, these expenses, and this upward impact on
2 the rates would be far overshadowed by the savings
3 that would come out of this merger. Far
4 overshadow.

5 Q. Are you familiar with Aquila South Harbor
6 litigation risk?

7 A. I am generally familiar with it, yes.

8 Q. Are you also familiar with a pending ARISA
9 litigation claim?

10 A. Somewhat.

11 Q. And are you also familiar with claims against
12 Aquila related to commodity trading or market
13 manipulation?

14 A. Somewhat, uh-huh.

15 Q. Does Great Plains Energy plan to seek recovery of
16 any of the costs related to these litigation items
17 from Missouri rate payers?

18 A. I don't think we have determined that at this
19 point.

20 Q. Are you familiar with the incident at Lake
21 Peculiar where an individual was electrocuted, I
22 believe, or at least died and there is an
23 indication that it was due to contact with an
24 electric line?

25 A. No.

1 Q. With regard to those prior litigation items, the
2 South Harbor litigation, the ARISA litigation and
3 the market manipulation claims?

4 A. Let me say. Can I clarify the comment. Certainly
5 we wouldn't try to recover the costs of the market
6 manipulation claims. We would -- I don't know
7 what we would do in the case of the South Harbor
8 issue. I haven't had that discussion of that
9 investigation. Certainly anything that is not
10 directly involved with the Missouri rate payers we
11 would try to recover through the Missouri rate
12 payers.

13 Q. What I want to ask now is a follow-up and it is
14 related. I want to ask about whether or not that
15 would have -- those litigation costs would have
16 any impact on the determination of the regulatory
17 amortization that Great Plains Energy is seeking
18 the Commission to authorize and approve in this
19 case.

20 A. As I say, I really don't know the structure of
21 that or what we would do with that. I'm not sure
22 what our legal rights would be there.

23 Q. Did any Missouri commissioner indicate to you that
24 that commissioner would approve the acquisition of
25 Aquila regardless of what evidence was presented

1 in this case?

2 A. No.

3 Q. Did you discuss with Mr. Green your impressions of
4 your meetings with the regulators in Missouri
5 regarding the acquisition of Aquila by Great
6 Plains Energy? And I am including staff as well
7 as commissioners in that question.

8 A. Yes.

9 Q. What did you tell them?

10 A. I told them I heard no major objections.

11 Q. Did Mr. Green relay any information to you
12 regarding meetings he may have had with members of
13 the Missouri Commission or Missouri staff?

14 A. I think he -- it was a short conversation. We
15 both had the same assessment. No major
16 objections. The devil was in the details. No
17 guarantees about what would or wouldn't be
18 approved. But no major objections were voiced.

19 Q. So there was a consensus between the two of you
20 that there were no major objections; is that what
21 you are saying?

22 A. That's my recollection.

23 Q. Did Great Plains Energy or Aquila make any
24 commitments in Kansas to process the case in
25 Kansas, seeking approval for the acquisition of

1 Aquila by Great Plains Energy later than the
2 process followed in Missouri?

3 A. I'm sorry. Paraphrase that one more time.

4 Q. I will break it down, too.

5 A. Okay.

6 Q. Has Great Plains Energy, KCP&L made any commitment
7 in Kansas to process the case for approval of the
8 acquisition of Aquila by Great Plains Energy later
9 than the application that is pending in this case?

10 A. I don't know.

11 Q. Did you speak with Brian Moline of the Kansas
12 Corporation Commission?

13 A. I spoke with each of the commissioners at the same
14 time that we spoke to the Missouri commissioners.

15 Q. By the same time, you mean the same day?

16 A. I think it was the same day. I think we went up
17 on -- as I recall, we met with the Kansas
18 commissioners in the morning -- I mean the
19 Missouri commissioners in the morning, Kansas
20 commissioners in the afternoon. I believe that
21 was how it worked.

22 Q. I believe you indicated before that the Kansas
23 corporation commissioners had made no -- provided
24 you no feedback regarding their position with
25 regard as to whether they were in favor of or

1 opposed to the acquisition of Aquila by Great
2 Plains Energy?

3 A. Right. No major objections.

4 Q. Did anyone at Great Plains Energy create any
5 documentation regarding the visits that you
6 participated in with the Missouri commissioners
7 regarding the acquisition of Aquila by Great
8 Plains Energy?

9 A. I don't recall whether that was done or not. I
10 know I did not, but I don't recall whether that
11 was done or not.

12 Q. Did you create any written documents regarding
13 visits that you engaged in with the commissioners
14 at the Kansas Corporation Commission regarding the
15 acquisition of Great Plains Energy by Aquila?

16 A. I did not.

17 Q. Do you know if anyone else who participated in
18 those visits did?

19 A. I don't recall. I just don't recall whether they
20 did.

21 Q. Have Kansas City Power & Light Company and Aquila
22 requested regulatory authority to engage in joint
23 dispatch of their generating units in Missouri
24 after Great Plains Energy acquired Aquila?

25 A. Have we requested regulatory authority?

1 Q. To engage in joint dispatch of your generating
2 units in Missouri after Great Plains Energy
3 acquired Aquila?

4 A. Have we requested regulatory authority, meaning
5 authority from FERC or authority from --

6 Q. Missouri Commission.

7 A. -- Missouri Commission? I don't know. I don't
8 believe we have. I don't know. I don't know the
9 answer to that.

10 Q. Since you brought it up, have you requested that
11 authority from FERC?

12 A. No. I don't believe we have.

13 Q. Why not?

14 A. Again, my knowledge on this only goes so deep. So
15 the only thing I can share with you is that I
16 believe that Aquila is in the process now of
17 deciding whether they will be in MISO or SPP.
18 Once that decision is made, that would be the time
19 to decide around joint dispatch. It is premature
20 at this point.

21 Q. Will it have an adverse impact on Great Plains
22 Energy acquisition of Aquila if Aquila is in MISO
23 as opposed to SPP?

24 A. The answer to that would be no. We are not
25 ascribing any synergies that I know of to --

1 Q. Will the short-term debt ratings of Great Plains
2 Energy and KCP&L be downgraded if the merger
3 closes?

4 A. We don't believe that to be the case.

5 Q. If they are downgraded, what will be the
6 consequence of the downgrade?

7 A. As I said, we have had, as we did with our
8 comprehensive energy plan, we have been in
9 communication with the rating agencies, shared
10 with them the projected financials and they have
11 told us that they don't think it would be
12 downgraded. If they were downgraded, obviously
13 the cost of interest goes up. It could impact
14 rates. But our commitment is to do everything we
15 can to avoid that. We are strongly committed to
16 investment grade rating.

17 Q. Do you know if any witness in this case has
18 addressed the possible impact on customers if
19 GPE's and KCP&L's short-term debt rates go up?

20 A. I don't know.

21 Q. Do you know if any witness in this case has
22 quantified the cost of short-term borrowings?

23 A. I don't know.

24 Q. Do you know if any witness has quantified the cost
25 of short-term borrowings in any analysis of the

1 net benefit of Great Plains Energy's acquisition
2 of Aquila?

3 A. I don't know.

4 Q. What is your experience regarding Missouri utility
5 regulation of Kansas City Power & Light Company?

6 A. I think the regulation has been -- I think the
7 regulation has resulted in a long-term benefit for
8 the Missouri customer. They have supported
9 capital improvements that will keep fuel costs low
10 over the long term while enabling the utilities to
11 maintain credit quality, interest rates lower in
12 the long term. They supported reasonable
13 environmental investments, wind and energy
14 efficiency, reasonable and cost effective
15 environmental investments. So I think it has been
16 a regulatory process that has significantly
17 benefited the Missouri customers.

18 Q. Do you know if Aquila has any non-utility
19 operations? I'm sorry, yeah, non-utility
20 operations?

21 A. I don't think they have much, if any, at this
22 point. I don't think they have anything
23 significant. I can't say that they don't have any
24 holdover operations.

25 Q. Have the nature and scope of Aquila's non-utility

1 operations changed since 2000?

2 A. I think they have dramatically reduced.

3 Q. Do you agree that Aquila's non-utility operations
4 produced negative financial results for Aquila as
5 a whole since 2003?

6 A. Since 2003. I don't know what has happened since
7 2003 with that. I don't know. I know it did.

8 Q. What has been your involvement in the planning of
9 the post closing day operations if Great Plains
10 Energy acquires Aquila?

11 A. We have a very well thought-out process. As I
12 say, it starts the front line with teams planning
13 with the new organization. There is going to be,
14 it is going to look like that will allow us to
15 achieve the performance goals that we set out, the
16 cost goals that we set out. Across the
17 organization for generation of customer service
18 and distribution. That closes up into a steering
19 team that consists of officers who oversee that on
20 a weekly basis. And that is headed up by our
21 senior executive delivering.

22 And then on a bi-weekly basis we have an
23 integration committee meeting that I attend and
24 Bill Downey attends, and any potential issues are
25 surfaced and dealt with. It is also the area

1 where we deal with making sure that the culture
2 and the employee treatment and the customer
3 communication and all those kinds of things are
4 taking place. So John Marshall, as I said, is the
5 accountable executive for this. He has worked
6 almost full time. And as I said, I have been
7 involved in a number of these processes. It is as
8 good as I have seen anywhere.

9 Q. If Great Plains Energy acquires Aquila, what will
10 be your role in the operations of Great Plains
11 Energy and KCP&L and Aquila?

12 A. I will be the chairman of the board and CEO of
13 Great Plains Energy. And I will be the chairman
14 of both Aquila and KCP&L. Obviously I will look
15 at it as operating as -- being functionally
16 integrated. And I will perform similar roles as I
17 do today.

18 Q. Are you familiar with change in control
19 provisions?

20 A. Yes, I am familiar with change in control
21 provisions.

22 Q. Does Aquila have a change in control provision?

23 A. Yes, they do. I don't know what they are, but I
24 know they have them. The other thing I know that
25 I have been advised is that they are market based.

1 That is what you typically see in a change in
2 control contract.

3 Q. Would a change of control contract or provision
4 apply in the event that an employee leaves before
5 there is a change in control?

6 MR. ZOBRIST: Just object, it calls for
7 speculation.

8 A. I don't know the answer anyways.

9 Q. (By Mr. Williams) Do you know if Aquila's change
10 in control provision impacts the costs of the
11 acquisition of Aquila by Great Plains Energy?

12 A. I believe that as with any merger or any
13 acquisition, the costs of paying a change in
14 control provisions are factored into the value of
15 the company. I also do not believe -- my sense is
16 that is not a material number.

17 (Exhibit Number 32 was marked.)

18 Q. (By Mr. Williams) I am going to hand you what has
19 been marked -- I am handing you what has been
20 marked as Exhibit 32. Would you take a look at
21 that. Have you seen that exhibit before?

22 A. No, I have not.

23 Q. Do you have any familiarity with any of the
24 information contained on that exhibit?

25 A. I don't have any familiarity with it. But it --

1 the numbers don't surprise me. The order of
2 magnitude doesn't surprise me.

3 Q. What is reflected on that exhibit? I am not
4 asking you to read what the content is, just what
5 is on there.

6 A. It is the estimates of current and additional
7 compensation for top executives at Aquila.

8 Q. What is the date of that document?

9 A. The date is October 6, 2006.

10 Q. Is one of the individuals listed there Keith Stan?

11 A. Yes.

12 Q. Do you know if he is currently employed by Aquila?

13 A. I don't believe he is. I don't know that for a
14 fact. I don't know if he has a consulting
15 arrangement or not.

16 Q. But he is not an employee of Aquila in the
17 position as shown on that document?

18 A. No. He is not chief operating officer of Aquila.

19 Q. What is your understanding of a change in control
20 provision?

21 A. My understanding is a change of control provision
22 is intended to incent management to make decisions
23 that are in the best interests of their
24 stakeholders. So if it means they lose their job,
25 they have some financial incentive to make the

1 right decision.

2 Q. How does a change in control provision accomplish
3 that in your understanding?

4 A. It compensates the executive for what he loses in
5 losing his job.

6 Q. Is there a particular event that would cause him
7 to lose his job in connection with the change in
8 control provision?

9 A. A merger or an acquisition. But it also, it
10 compensates the executive for supporting the
11 merger and acquisition review, strategic review.
12 Making presentations, reflecting the company in a
13 fair light, all those kinds of things.

14 Q. Who at Great Plains Energy would be familiar with
15 the compensation of the executives or personnel
16 listed on that exhibit?

17 MR. ZOBRIST: Of these Aquila
18 executives?

19 Q. (By Mr. Williams) Right.

20 A. Of these Aquila executives, I don't know really.
21 That is not something that we routinely get
22 reports on.

23 Q. Do you know if Aquila has taken actions to
24 insulate its utility operations from the impacts
25 of its non-regulated activities?

1 A. I really don't know what they have done with that.

2 Q. Aquila has made commitments to insulate its
3 regulated operations from the impacts of its
4 non-regulated operations -- strike that.

5 If Aquila has taken actions to insulate
6 its utility customers from the impacts of its
7 non-regulated operations, will Great Plains Energy
8 continue those commitments post acquisition of
9 Aquila if the merger closes?

10 A. If the merger closes that will be a different
11 entity. And while there may have been some
12 benefits to the customer and the commitments that
13 Aquila made, we expect to be able to deliver far
14 superior benefits in savings and reduced rates in
15 perpetuity.

16 Q. When you met with the Missouri commissioners
17 regarding the acquisition of Aquila by Great
18 Plains Energy, did you say anything about how that
19 acquisition would impact Aquila's, any commitments
20 that Aquila may have made to insulate its Missouri
21 customers from the impacts of its non-regulated
22 operations?

23 A. Didn't have any discussion about Aquila or their
24 non-regulated structure. Or non-regulated
25 commitments or commitments around the

1 non-regulated.

2 Q. As I understand it, Aquila is to be merged with
3 Gregory Acquisition Corporation; is that correct?

4 A. Legally there is a structure that has been
5 proposed.

6 Q. How was the name chosen for that merging entity?

7 A. I have no idea. I think it was Drew Jennings'
8 grandson, wasn't it?

9 Q. Is Great Plains Energy's acquisition of Aquila
10 consistent with Kansas City Power & Light
11 company's commitment not to engage in activities
12 that negatively impact its credit metrics?

13 A. Absolutely.

14 Q. How so?

15 A. As I say, we have worked with the credit agencies
16 in doing the business model and making the
17 financial projections. Taking into account all
18 the risks around the acquisition. And we are
19 comfortable that, the credit agencies are
20 comfortable that this will not impact our credit
21 rating.

22 Q. If Great Plains Energy does not acquire Aquila,
23 does Kansas City Power & Light Company plan to
24 improve the productivity of its Missouri Electric
25 operations?

1 A. We have a continuous improvement program, where
2 every year we set goals to improve productivity
3 over the previous year. So that will continue as
4 a process. And we would expect that the Aquila
5 operations would also benefit from that continuous
6 improvement program.

7 Q. Do you have any specific improvement plans now for
8 Kansas City Power & Light Company?

9 A. We have a score card, a balanced score card
10 process where we set out metrics and we show
11 improvement of those -- over those metrics from
12 year to year. And then we set in place and we
13 charge our officers to set in place programs,
14 improve processes, streamline the structure of the
15 organization to be able to achieve those metrics
16 while still maintaining quality of service. On
17 that balanced score card is cost metrics and also
18 customer satisfaction metrics and liability
19 metrics and safety metrics. So we balance all of
20 that. We hope to move forward in all of those
21 areas.

22 Q. Do you quantify in dollars productivity
23 enhancements?

24 A. At some point I think we may in our budgeting
25 process.

1 Q. Do you know who would be familiar with that?

2 A. Mr. Basham would be.

3 Q. What have been the past efforts of Kansas City
4 Power & Light Company to improve productivity of
5 its Missouri Electric operations?

6 A. I think just as I described. We ask every
7 organization to lay out key operating metrics,
8 whether it is cost per customer or whether it is
9 calls taken for rep or whether it is call waiting
10 times for customer. You have a whole litany of
11 them. And we ask them to identify what they
12 currently do and then to lay out a plan for
13 improvement, systematic improvement from year to
14 year. And that becomes a business plan for that
15 work group for the year and then they manage
16 against that and report on it monthly. Where
17 progress isn't being made, then we set up
18 interventions to make sure it does happen. And I
19 think if you look over the past several years, we
20 have been very successful in improving all of
21 that. Again it is just not cost, it is service
22 and reliability as well.

23 Q. Does Kansas City Power & Light Company operate
24 utility property better than Aquila?

25 A. There are some areas where we do better, there are

1 some areas where they do better. And the merger
2 of these two companies will allow us to take the
3 best of both and have a better than either one of
4 us on a stand-alone. And that's happening at the
5 front line where the employees themselves are
6 getting together and talking about how they
7 operate.

8 Q. Does Kansas City Power & Light Company provide
9 better customer service than Aquila?

10 A. Again, some areas we do, some areas Aquila has
11 better practices.

12 Q. Does Kansas City Power & Light Company have fewer
13 on-the-job employee fatalities than Aquila?

14 A. I don't know the answer to that.

15 Q. Do you know when Kansas City Power & Light Company
16 last had an on-the-job fatality?

17 A. This past May was the first fatality we have had
18 since I have been here since 2003. It was one --
19 as I said before, safety is the top priority for
20 us. We are proud of our safety record. Not just
21 lack of fatalities, but we also have low lost time
22 accidents right on across the board.

23 So when we had this, we looked at it in
24 great detail. We had independent experts come in.
25 It was their judgment that this was a unique

1 circumstance resulting from a unique configuration
2 of a valve and elbow and a type of metal. That
3 was not symptomatic across our system. But
4 nevertheless, we have gone to great lengths to
5 communicate not only across KCP&L and through all
6 the inspections, but communicate across the
7 country that we take this thing very seriously.

8 So I don't believe that that one
9 isolated incident is reflective of the quality of
10 our safety program. Overall, I think our safety
11 numbers are very strong when you compare the top
12 tier level with other utilities.

13 Q. Does Kansas City Power & Light Company have better
14 generation plan availability than Aquila does?

15 A. I don't know the answer to that question. It is
16 also apples and oranges, because you have coal
17 plants and gas plants. But I really don't know
18 the answer to that question.

19 Q. Do you supervise any Kansas City Power & Light
20 Company employees?

21 A. Yes. Bill Downey is CEO of Kansas City Power &
22 Light. I supervise him. Terry Basham has a dual
23 role of CFO of Great Plains and CFO of Kansas City
24 Power & Light. So I supervise his Great Plains
25 role and Bill Downey oversees his KCP&L role.

1 Q. You are not employed by Kansas City Power & Light
2 Company, are you?

3 A. No. I am employed by Great Plains.

4 Q. In terms of utility operations, in what areas does
5 Kansas City Power & Light Company out perform
6 Aquila?

7 A. I don't know all those areas. I think, as I said
8 before, there are some areas such as service
9 reliability. We do better. I do believe we have
10 a better safety record.

11 Q. On the flip side, with regard to utility
12 operations, in what areas does Aquila out perform
13 Kansas City Power & Light Company?

14 A. I believe that they, as I said before, they do
15 well in maintaining the gas plants. There is just
16 a whole laundry list as people sit down and
17 rationalize best practices for both. And that's
18 what we are aiming to get to.

19 Q. Do you agree that --

20 A. One other thing. Well, anyway. That's good.
21 That answers the question.

22 Q. Do service quality results that one achieves in
23 one service territory, are they necessarily
24 achievable in another service territory?

25 A. I think the practices, the processes, the

1 philosophy, if they are applied to Aquila's
2 service territory, will result in improved service
3 in Aquila's service territory. That is the
4 specific, I think that is the specific issue that
5 you are dealing with there.

6 Q. You have experience in providing utility service
7 in different service territories?

8 A. I do, yes. But Aquila's service territory, the
9 tree density, the various characteristics, our
10 service territories are contiguous. So I have
11 every expectation, based on my experience, that we
12 will be able to improve that service.

13 Q. Within Missouri, does Kansas City Power & Light
14 Company serve more electric customers than Aquila?

15 A. In Missouri, I'm not sure, but I don't think so.
16 I think Aquila may have more than we have.

17 Q. Is Aquila's geographic service area larger than
18 Kansas City Power & Light Company's in Missouri?

19 A. I believe they are, yes. Although we have some
20 pretty large rural areas ourselves in the eastern
21 part of Missouri and southern part of Missouri.
22 Or southern part of Kansas. Paola is in Kansas.

23 Q. Do you know the levels of Kansas City Power &
24 Light Company employee compensation relative to
25 those of comparable positions with Aquila?

- 1 A. Not really. I mean, I think generally the levels
2 of compensation are comparable. But I don't know
3 the specifics.
- 4 Q. Are you familiar with the term "Six Sigma"?
- 5 A. I am.
- 6 Q. What is Six Sigma?
- 7 A. Six Sigma is a process to get employees to think
8 critically about how work is done. To identify
9 ways to improve efficiency, to identify ways to
10 improve quality. And it is a disciplined process
11 employees are trained to do.
- 12 Q. Is that a process that Great Plains Energy uses?
- 13 A. We use, we don't call it Six Sigma, but we use a
14 similar process. We have partner teams, winning
15 culture partner teams that get together and
16 identify specific areas for -- areas for
17 improvement. It has the same basic philosophy of
18 including employees and facilitating them to
19 approach things in a disciplined way.
- 20 Q. Relative to Kansas City Power & Light Company, how
21 do you view Aquila's regulatory relationships in
22 Missouri?
- 23 A. My, again, my sense was that some of the problems
24 from the past in the non-regulated efforts had
25 resulted in their not having as positive

1 regulatory relationships.

2 Q. Does Great Plains Energy have a position regarding
3 recovery from Missouri rate payers of any costs
4 that may be incurred to move the South Harbor
5 facility in the event that is required and Great
6 Plains Energy acquires Aquila?

7 A. I don't know at this time.

8 Q. Did you meet with Aquila's Board of Directors
9 regarding Great Plains Energy's acquisition of
10 Aquila?

11 A. I did.

12 Q. When was that meeting?

13 A. Again, it is this general time frame. I don't
14 know the exact date.

15 Q. What would be the general time frame?

16 A. January, February of 2007.

17 Q. Did you provide the Aquila board with any written
18 materials at that meeting?

19 A. I did. They were handouts.

20 Q. Did you provide the Aquila board with your
21 background?

22 A. I did.

23 Q. Did you provide your background in writing?

24 A. No. To my knowledge, no.

25 Q. Did you relay to the Aquila board your prior

1 experience with mergers?

2 A. I did.

3 Q. Did you provide that information to the Board in
4 writing?

5 A. No.

6 Q. Did you advise the Aquila board of the action you
7 have undertaken at Great Plains Energy to improve
8 management team and employee engagement?

9 A. Yes.

10 Q. Did you provide any of that information in written
11 form?

12 A. To be honest with you, I can remember -- there
13 were handouts. There were overheads, very similar
14 to these kinds of presentations. I don't know all
15 that was on there. I'm sure we had that as an
16 exhibit at some point.

17 Q. Did you provide the Aquila board with Great Plains
18 Energy's current strategy at that time to increase
19 shareholder value and improve the living
20 environment in the community served by Great
21 Plains Energy and its subsidiaries?

22 A. Yes.

23 Q. Was that information provided in writing or do you
24 know?

25 A. It might have been on an overhead. I do think

1 most of what I did was talk from that diagram that
2 you showed earlier with the culture in the center
3 and the other key functions.

4 Q. Did you relay any belief that the merger would be
5 strongly supported by regulatory commissions in
6 Kansas and Missouri?

7 A. What I said was I thought that our track record
8 positioned us to have the best chance to get
9 regulatory support for the deal.

10 Q. Did you get any reaction from the Aquila board?

11 A. I think they were -- agreed with the points that I
12 made. I think they appreciated the strategic
13 direction that we were going. The focus. The
14 results that we had produced.

15 Q. Did they direct any specific questions to you?

16 A. There was a good bit of questions about the
17 culture and how the effort and stuff that we were
18 taken to engage the culture. And there may have
19 been some other questions around strategy. I
20 can't particularly recall. But there was not a
21 lot of questions.

22 Q. Did you meet with the Aquila board in a private
23 session?

24 A. I did.

25 Q. Were any board members excluded from that session?

1 A. I don't -- I guess Rick is a board member, so he
2 wasn't part of that private session.

3 Q. Anyone else?

4 A. There may have been -- anybody who was at Aquila I
5 think was excluded.

6 Q. What was the purpose of the meeting with the
7 Aquila's board in the private session?

8 A. They wanted to make sure that there wasn't
9 anything that I wanted to share with them that I
10 wasn't comfortable sharing in front of the
11 management.

12 Q. Was there anything?

13 A. No.

14 Q. Did you relay any of the content of your meeting
15 with the Aquila board to Great Plains Energy's
16 board?

17 A. Yes.

18 Q. Did you provide any of that to Great Plains
19 Energy's board in written form?

20 A. I don't believe I did. I'm not sure. Terry
21 Basham was with me at the formal part of the
22 meeting. I don't know if he wrote anything about
23 that meeting or not. I know I didn't.

24 Q. Has Aquila management worked constructively with
25 Great Plains Energy to achieve an arrangement that

1 is beneficial to shareholders and investors of
2 Aquila and Kansas City Power & Light Company?

3 A. Yes, they have worked constructively.

4 Q. Will this merger be beneficial to Aquila customers
5 if the estimated synergy, merger synergy levels
6 are not achieved within the proposed timetable and
7 without service quality issues?

8 A. Yes. It still would be beneficial to customers.
9 Because, as I have said before, even if the
10 synergies don't achieve the levels projected, they
11 achieve somewhat less than that, they go on for
12 perpetuity. Our estimate of savings to customers
13 over a 10-year period, for instance, is \$450
14 million. So if we achieve less than that, then
15 maybe it is a \$300 million benefit. But it is
16 still a savings. It is still a benefit.

17 Q. Have you been involved in any other merger or
18 acquisition where a comparable level of merger
19 savings have been accomplished within the time
20 frame that is proposed in this case, where there
21 were not service quality issues?

22 A. The two mergers that I have been involved with
23 both went fairly smoothly. The savings were
24 achieved. But I left both companies in the
25 process, so I wasn't there three years later to

1 know whether the estimates were achieved or not.
2 But the feedback that I have gotten from both
3 mergers is that they went well.

4 Q. Are a utility's operations impacted if a
5 significant number of experienced employees leave
6 at one time?

7 A. I believe that operations are optimal when you
8 have a diversity of experience in given job
9 functions. If you have all people that have been
10 operating power plants for 30 years, for instance,
11 on a control group, it won't be as effective as if
12 you had some that have been 30 years, some have
13 been 15 years, some that are new. Different
14 points of view, different energy, different ways
15 of seeing the world.

16 If anything, utilities today are
17 burdened by having all people who have been there
18 for 30 years and not a lot of fresh blood. So I
19 think that there is going to be the opportunity
20 to, as people retire and fresh blood comes on to
21 improve performance. So I am not -- I am not
22 concerned about the people that are leaving from
23 Aquila. There are plenty of experienced people
24 coming over from Aquila that will enable us to
25 continue doing a good job serving the customers,

1 but also get some new ideas going.

2 Q. Does Aquila currently employ a significant number
3 of employees that can be eliminated without
4 impacting Aquila's operations?

5 A. Well, on a stand-alone basis?

6 Q. Yes.

7 A. I don't want to speculate on their operation on a
8 stand-alone basis.

9 Q. So you do not know?

10 A. I don't know.

11 Q. How long will it take to replace the institutional
12 knowledge that will be lost by employees that are
13 expected to be eliminated as a result of this
14 merger?

15 A. Well, first of all, virtually no institutional
16 knowledge will be lost in the operating ends of
17 the company. I mean, we have all the power plants
18 are coming over, the people that operate the power
19 plants, the management structure of the power
20 plants for the most part is staying intact. The
21 same with the distribution service centers. So
22 the key areas, the key points of service, there is
23 not going to be an impact.

24 Again, I go back to the point I made
25 earlier that institutional knowledge isn't always

1 -- doesn't always lead to the value of the
2 customer or the shareholder. So if you have an
3 area where some new people are coming in with
4 fresh ideas, sometimes that can improve
5 performance. So I don't think it will be a
6 significant effect in the new company.

7 Q. Do employees typically willingly accept additional
8 job duties resulting from a company eliminating
9 jobs?

10 A. Do employees typically willingly accept new job
11 duties resulting from a company eliminating --

12 Q. Jobs.

13 A. -- jobs. I mean, that is a theoretical question.
14 I don't believe that is what is happening in this
15 case.

16 Q. Do vendors usually agree to terms that reduce the
17 level of revenues that they receive?

18 A. Yes.

19 Q. When?

20 A. I have seen it in the other mergers that I was
21 involved in, where you have -- I mean, depends on
22 what you mean by level of revenue. They increase,
23 they have a contract with one company that is
24 bigger than they have individually with either of
25 the others. There are economies that result from

1 that. And it is important for a merged company to
2 look for the vendor to share those economies with
3 them. They don't have two salespeople calling on
4 two accounts for processing. So they will agree
5 to that.

6 Q. Did you receive mixed signals from regulators in
7 Jefferson City regarding support for the
8 acquisition of Aquila by Great Plains Energy at
9 your meetings in January of 2007?

10 A. I heard no significant concerns.

11 Q. Did you get feedback that staff did not support
12 your proposal?

13 A. I think I said earlier, the direct conversation I
14 had with the staff was confusing. I didn't fully
15 understand the reaction and assumed that it would
16 get fleshed out as we went forward.

17 Q. If I recall correctly, you indicated that prior to
18 this January meeting you had not had direct
19 contact with staff regarding the acquisition of
20 Great Plains Energy -- of Aquila by Great Plains
21 Energy; is that correct?

22 A. No.

23 Q. It is not correct?

24 A. It is correct, yes.

25 Q. Did you ever tell anyone you were disappointed

1 that Missouri Commission staff had been informed
2 of Great Plains Energy's desire that Aquila file a
3 rate case in 2007 and seek amortization in that
4 rate case to be filed in connection with the
5 acquisition of Aquila by Great Plains Energy?

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

7 Q. Do you know if staff was informed that Great
8 Plains Energy had requested that Aquila file a
9 rate case in 2007 seeking amortization, regulatory
10 amortization in connection with the acquisition of
11 Aquila by Great Plains Energy?

12 A. I don't recall knowing whether they were informed
13 or not. I just don't recall that.

14 Q. Let me hand you what has been marked as Exhibit
15 Number 25. Take a look at that.

16 A. Okay.

17 Q. What is Exhibit 25?

18 A. It is a proxy statement pursuant to Section 14-A
19 of the Securities Exchange Act, Aquila
20 Incorporated.

21 Q. If you turn -- look at the contents of it.

22 A. Following is a transcript of the Joint Investor
23 Conference Call held by Aquila, Great Plains and
24 Black Hills.

25 Q. Are you familiar with that transcript?

- 1 A. Not really. I don't think I ever saw it. I was a
2 part of the call, I believe. I don't think I saw
3 the transcript.
- 4 Q. Would you take a look at Page 3.
- 5 A. Okay.
- 6 Q. Is there reflected on that page a number of
7 important factors, risk, uncertainties that could
8 cause -- a statement that there are a number of
9 important factors, risk and uncertainties that
10 could cause results different from those materials
11 provided in the forward-looking information?
- 12 MR. ZOBRIST: Are you referring to a
13 particular paragraph?
- 14 A. You are talking Page 4? Page 3?
- 15 Q. (By Mr. Williams) There is a Page 3.
- 16 A. Okay. Okay. I was on the wrong page.
- 17 Q. It is I believe the fifth paragraph. It begins
18 with "Before".
- 19 A. Okay. So you are asking?
- 20 Q. Is there a disclaimer on that document that
21 indicates that there could be material differences
22 that would impact these forward-looking statements
23 that may be made therein?
- 24 A. A number of factors can cause actual results to
25 differ from forward-looking information.