

BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI

Case No. EM-2007-0374

In the Matter of the Joint Application of )  
Great Plains Energy Incorporated, Kansas )  
City Power & Light Company, and Aquila, )  
Inc., for Approval of the Merger of Aquila )  
Inc., with a Subsidiary of Great Plains )  
Energy Incorporated and for other related )  
relief. )

DEPOSITION OF WILLIAM H. DOWNEY,

produced, sworn and examined on Wednesday, November 28,  
2007, at the offices of Aquila, Inc., 20 West Ninth,  
in Kansas City, Missouri, before:

JAMES A. LEACOCK, CCR, for  
CROSS REPORTING SERVICE, INC

a Certified Court Reporter for the State of Missouri.

APPEARANCES:

For the Missouri Public Service Commission:

MISSOURI PUBLIC SERVICE COMMISSION

By: Ms. Sarah Kliethermes, and

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A P P E A R A N C E S:  
(Continued)

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# STIPULATIONS

It is hereby stipulated and agreed by and between the parties herein that presentment to the attorneys of record of a copy of this deposition shall be considered submission to the witness for his signature within the meaning of the Missouri Rules of Civil Procedure, but shall in no way be considered as a waiver of the witness' signature; and will be filed with the court, to be signed by the witness at any time before or at trial of this case.

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1 (The deposition commenced at 3:30 p.m.)

2 MR. WILLIAMS: Why don't we go around  
3 the room like we did before and introduce so  
4 that it is on the record as to who is here.  
5 I am Nathan Williams. I will be asking you  
6 questions. I am representing the Missouri  
7 Public Service Commission Staff.

8 MR. SCHALLENBERG: I am Bob Schallenberg  
9 with Missouri Commission Staff.

10 MS. KLIETHERMES: Sarah Kliethermes with  
11 Missouri Commission Staff.

12 MR. WOODSMALL: David Woodsmall  
13 representing Prax Air, Ag Processing and  
14 SIUA.

15 MR. EMPSON: Jon Empson with Aquila.

16 MS. PARSONS: Renee Parsons representing  
17 Aquila.

18 MR. RIGGINS: Bill Riggins representing  
19 Great Plains Energy and Kansas City Power &  
20 Light.

21 MR. BLANC: Curtis Blanc representing  
22 Great Plains Energy and Kansas City Power &  
23 Light.

24 MR. GILES: Chris Giles, Kansas City  
25 Power & Light.

1 MR. MILLS: Lewis Mills, Public Counsel.

2 MR. ZOBRIST: Karl Zobrist, outside  
3 counsel for Great Plains Energy Incorporated  
4 and Kansas City Power & Light Company.

5 MR. DOWNEY: Bill Downey with Great  
6 Plains Energy and Kansas City Power and Light  
7 Company.

8 WILLIAM H. DOWNEY,  
9 of lawful age, being first duly sworn, was  
10 examined and testified as follows:

11 EXAMINATION BY MR. WILLIAMS:

12 Q. What is your name and how do you spell it?

13 A. William H. Downey. D-o-w-n-e-y.

14 Q. Have you ever been deposed before?

15 A. Yes.

16 Q. When have you been deposed in the past?

17 A. I can't recall. I don't believe in front of the  
18 Missouri Commission.

19 Q. Have you been deposed more than once?

20 A. Maybe once or twice over the last 35 years.

21 Q. Do you have any condition that might affect your  
22 ability to testify fully and honestly in response  
23 to questions today?

24 A. No.

25 Q. Are you under any medication that might affect

1 your ability to testify here today?

2 A. No.

3 Q. Did you cause any documents to be brought here  
4 today and provided to the Missouri Public Service  
5 Commission staff?

6 A. I'm not sure that I understand that question. I  
7 have testified.

8 MR. ZOBRIST: Let me state on the record  
9 like I did in Mr. Chesser's deposition.  
10 Accompanying Mr. Downey's Notice of  
11 Deposition were a number of paragraphs to  
12 which we responded that the bulk of his  
13 request we had already produced documents in  
14 response to and that we were not going to  
15 reproduce those again.

16 However, there were certain categories  
17 where some additional materials were  
18 provided. It is a couple of sets of board  
19 minutes which Mr. Williams has and two or  
20 three other documents. We objected to one or  
21 two categories. So we have produced certain  
22 additional documents in accordance with the  
23 Notice.

24 Q. (By Mr. Williams) Did you review any of the  
25 additional documents that were produced in

1           accordance with the Notice?

2       A.    I may have seen some of the documents. I have got  
3           about a four-foot shelf of documents that I have  
4           been looking at. I may have looked at some.

5       Q.    Who is your current employer?

6       A.    Great Plains Energy, Kansas City Power & Light.

7       Q.    What is your position at Great Plains Energy?

8       A.    I am president and chief operating officer and a  
9           member of the Board of Directors.

10      Q.    What are your duties in your positions at Great  
11           Plains Energy?

12      A.    To oversee the day-to-day operations of our  
13           various business operations.

14      Q.    For Kansas City Power & Light Company, what is  
15           your position there?

16      A.    I am president and chief executive officer.

17      Q.    What duties do you have in that position?

18      A.    I oversee obviously the functions of the electric  
19           utility. I focus particularly on regulated  
20           operations in Kansas and Missouri.

21      Q.    Do you oversee individuals in your position at  
22           Great Plains Energy?

23      A.    Yes, I do.

24      Q.    Who is it that you oversee?

25      A.    Well, by and large -- I mean, I have oversight

1           responsibilities along with our chairman, but by  
2           and large the staff, the holding company staff  
3           reports directly into him. The bulk of my reports  
4           are the regulated operations people.

5       Q.   Who reports to you in your capacity as an employee  
6           of Kansas City Power & Light Company?

7       A.   A number of senior vice presidents. Steve Easley,  
8           who heads our supply area; John Marshall, who  
9           heads our delivery area. A number of key staff  
10          people. Chris Giles, who heads our regulatory  
11          area; Bill Riggins, who heads our legal area for  
12          the utility. We have several people who play dual  
13          roles. So to the extent, for example, the H.R.  
14          activities involve the utility, then our head of  
15          H.R. reports in to me. Public affairs work for  
16          the utility would report in to me on a functional  
17          basis. Purchasing for the utility reports in to  
18          me, Laura Cheatham, corporate vice president for  
19          administrative services.

20       Q.   You indicated that there are some people that have  
21           dual roles that would report to you. Would they  
22           also report to someone else?

23       A.   They would report to Mike Chesser. The holding  
24           company.

25       Q.   Is it fair to say that your role is supervisory

1 over the regulated operations of Kansas City Power  
2 & Light Company?

3 A. Yes.

4 Q. Are you familiar with the transaction between  
5 Aquila, Black Hills and Great Plains Energy that  
6 includes the acquisition of Aquila by Great Plains  
7 Energy that is the subject matter of this  
8 Commission Case Number EM-2007-0374?

9 A. Yes.

10 Q. What do you know about the transaction?

11 A. Well, it arose out of an effort on the part of  
12 Aquila to market itself. We became involved in  
13 it, in that process, and subsequently developed an  
14 approach to acquiring Aquila. At the same time,  
15 involving another party who will acquire a  
16 significant component of the original Aquila  
17 assets, we wind up with the Missouri regulated  
18 assets. By and large there are some wholesale  
19 assets, but a very small number. Our focus and  
20 interest was in the Missouri regulated assets to  
21 where we felt we had strength and the synergy and  
22 all of the things that we thought would be  
23 positive for our company for this region and  
24 ultimately led to a bid for it. And we were the  
25 successful bidder. We are moving through the

1 regulatory process now to get approvals.

2 Q. What role did you play in the process that Great  
3 Plains Energy and Kansas City Power & Light  
4 Company engaged in in negotiating the transaction  
5 that is the subject of Case Number EM-2007-0374?

6 A. I am one of the two senior officers, so I am  
7 involved in a great deal. However, we did focus  
8 much of the effort around the acquisition activity  
9 and our chief financial officer and small team  
10 from our holding company. As we have moved  
11 forward we then focused the integration work and  
12 assignment on another one of our senior  
13 executives, John Marshall. So my role is  
14 oversight. I am involved in major decisions, but  
15 the focus of the work has been on those two key  
16 individuals.

17 Q. What is the relationship between Great Plains  
18 Energy and Kansas City Power & Light Company?

19 A. Great Plains Energy is the parent. It is the New  
20 York Stock Exchange traded organization. We have  
21 a regulated subsidiary, operating subsidiary,  
22 Kansas City Power & Light. We have an unregulated  
23 subsidiary, Strategic Energy, which is  
24 headquartered in Pittsburgh. Great Plains is the  
25 holding company for these two operating entities.

1 Q. Does Kansas City Power & Light Company provide  
2 utility service to customers in both Missouri and  
3 in Kansas?

4 A. Yes.

5 Q. Does Great Plains Energy, Inc. provide any utility  
6 service?

7 A. No.

8 Q. What is the business purpose of Great Plains  
9 Energy, Inc.?

10 A. It is a holding company and it benefits from the  
11 operating companies. It does not engage in any  
12 specific business purpose outside of the operating  
13 entities that it has got.

14 Q. What are your job duties with regard to Kansas  
15 City Power & Light Company's Missouri utility  
16 operations?

17 A. I am responsible overall for our regulated utility  
18 operations.

19 Q. Every aspect of them?

20 A. Yes.

21 Q. Who determines when Kansas City Power & Light  
22 Company will file a rate case in Missouri?

23 A. I think that is an outcome of a process or set of  
24 processes that we do. We obviously plan short  
25 term, we plan long term, we have annual business

1 planning functions. And we have a whole  
2 collection of things that we have to look at,  
3 weigh in on and make decisions on. And clearly  
4 keeping the organization financially successful,  
5 we have to -- one of the things that we have to  
6 evaluate every year is our relative financial  
7 position, cost increases, the levels of our debt  
8 and equity, the need to provide new financing, and  
9 whether cost increases are exceeding what we are  
10 able to recover in current rates.

11 So there are a whole variety of business  
12 factors that go into it and we will look at that  
13 on a regular basis. And out of that, those  
14 processes comes the decision to be before the  
15 Commission on rate filings.

16 Q. Does any particular individual make a final  
17 determination as to whether or not Kansas City  
18 Power & Light Company files a rate case?

19 A. Well, as I said, we will look at all this.  
20 Ultimately Mike Chesser and I will look at each  
21 other and we will talk with our Board and make a  
22 decision.

23 Q. Do you make the final decision?

24 A. I certainly am a part of that final decision.

25 Q. Who made the decision for Kansas City Power &

1           Light Company to file its last rate case in  
2           Missouri that was docketed as ER-2007-0291?

3       A.    I think it was the process that we just talked  
4           about.

5       Q.    Were you involved in any discussions that Aquila  
6           be required to file another rate case after its  
7           last rate case in Missouri, which was Case Number  
8           ER-2007-0004, in connection with Great Plains  
9           Energy acquiring Aquila?

10      A.    I may have a long time ago been involved.  It  
11           didn't seem to me that that went anywhere.  We  
12           talked about lots of options and strategies and  
13           alternatives throughout the course of this.  I  
14           don't specifically recall a conversation.

15      Q.    Have you been involved in past utility mergers?

16      A.    This is the first merger that I have been directly  
17           involved.

18      Q.    Do you know if Aquila was previously called  
19           UtiliCorp United, Inc.?

20      A.    I believe that is the case.

21      Q.    Do you know if UtiliCorp United, Inc. and Kansas  
22           City Power & Light Company ever attempted to merge  
23           in the past?

24      A.    History tells me that.  I was not a part of the  
25           company at that point in time.  I joined the

1           company in 2000, September.

2           Q.    That merger didn't take place, did it?

3           A.    Apparently not.

4           Q.    We wouldn't be here today, would we?

5           A.    Right.

6           Q.    Do you know why that merger did not close?

7           A.    I don't have specific knowledge.

8           Q.    Are Kansas City Power & Light Company's rates that  
9               its customers in Missouri pay today higher than  
10              they would have been had that prior merger closed?  
11              And I am referring to the merger between Kansas  
12              City Power & Light Company and UtiliCorp that did  
13              not close?

14          A.    I have no idea. I would be speculating.

15          Q.    Do you know when Great Plains Energy acquired  
16               Kansas City Power & Light Company?

17          A.    Well, I think that -- I am trying to remember if  
18               it was 2001 or 2002. I think we started the  
19               process in 2001. I think it was 2002. I can't  
20               recall the specific time that we did that. We  
21               were shifting business needs and we launched that  
22               process I believe in 2001.

23          Q.    Did Great Plains Energy acquire Kansas City Power  
24               & Light Company after the prior merger attempt  
25               between Kansas City Power & Light Company and

1 UtiliCorp United, Inc.?

2 MR. ZOBRIST: Let me object to lack of  
3 foundation. Perhaps there is a legal  
4 presumption in there that may or may not be  
5 true. With that you can go ahead and answer  
6 the question.

7 A. Well, yeah, I mean, the UtiliCorp thing was not an  
8 issue. As I said, I arrived here in September of  
9 2000. Kansas City Power & Light had been through  
10 a series of failed merger attempts and we began a  
11 process of rebuilding this organization.  
12 Ultimately that included the creation of a holding  
13 company and the incorporation of Kansas City Power  
14 & Light within that holding company.

15 Q. (By Mr. Williams) Do you know if Kansas City  
16 Power & Light Company made any payments to  
17 UtiliCorp because the merger would not close  
18 between them?

19 A. I have no specific knowledge.

20 Q. Are Kansas City Power & Light Company's Missouri  
21 customer rates higher today because it did not  
22 merge with UtiliCorp?

23 A. That would be speculative. I have no idea.

24 Q. Are Aquila's rates to its utility customers today  
25 higher because it did not merge with Kansas City

1 Power & Light?

2 A. I would have no basis to make that conclusion.

3 Q. Do you know if Kansas City Power & Light Company's  
4 bond rating was higher at the time of the merger  
5 that did not close than it is today?

6 A. I don't know.

7 Q. Do you know if Aquila's bond rating was higher at  
8 the time of that merger that did not close than it  
9 is today?

10 A. I don't have specific knowledge.

11 Q. Do you have any knowledge of the regulatory plan  
12 that was proposed in the prior merger case between  
13 Kansas City Power & Light Company and UtiliCorp?

14 A. No.

15 Q. Do you agree that, as a general proposition, that  
16 only after a merger is consummated and the new  
17 company has a history of operations, that rates  
18 can be appropriately set for the customers of that  
19 utility?

20 A. Would you repeat that question.

21 Q. Let me try it again. Do you agree that as a  
22 general proposition, whenever a merger is  
23 consummated, that only after the new company has a  
24 history of operations, rates can be appropriately  
25 set for that utility's customers?

1 A. I don't know that I would agree with that.

2 Q. Why not?

3 A. You have rates set and you have to work from that.  
4 The rates that are in effect, when they are in  
5 effect, if a merger were consummated would be what  
6 they are. Any changes to that you would -- either  
7 the Commission would call you in or you would file  
8 for whatever reasons. The rates that are there  
9 are the ones that are going to be there.

10 Q. In connection with this merger, were you involved  
11 in the development of any material that was  
12 presented to Aquila's Board of Directors?

13 A. No.

14 Q. Did Great Plains Energy condition its acquisition  
15 of Aquila initially on Aquila filing a rate case  
16 to implement elements of Great Plains Energy's  
17 regulatory plan?

18 A. I don't believe so. I think there was  
19 conversation about that. As I said before, there  
20 were lots of approaches and thoughts about how  
21 things might occur and discussions. But I don't  
22 think it was conditioned.

23 Q. Did Great Plains Energy propose to Aquila that  
24 Aquila would need to file a rate plan -- a rate  
25 case to implement elements of Great Plains

1 Energy's regulatory plan?

2 A. I know there was discussion about it. And I  
3 believe there was even disagreement about it. I  
4 don't think it ultimately went anywhere.

5 Q. Well, do you know who initiated the concept of  
6 Aquila filing a rate case?

7 A. I am assuming that might have come out of our  
8 regulatory team.

9 Q. But you don't know?

10 A. No.

11 Q. If a merger was going to produce significant cost  
12 savings, why would there need to be a rate  
13 increase case in connection with that merger?

14 A. Are you referring to our case in particular?

15 Q. Sure.

16 A. Well, I mean, we have got two things going on  
17 here. We have a very significant construction  
18 program going on and as it turns out, both parties  
19 are involved in that construction effort. And so  
20 you've got that. You've got the inflation that is  
21 occurring there and you have got the general  
22 inflation in the industry which is national if not  
23 international in scope. So you have multiple  
24 things going on. And ongoing operations are one  
25 thing, all these additional things are another.

1 And the two combined would not be at all  
2 inconsistent to me that we would be doing both at  
3 the same time... This is an extraordinary period of  
4 time in this company's history. We are growing  
5 our rate base by 60 percent with the first major  
6 construction program in 25 years. We are building  
7 a regional resource that has got tremendous impact  
8 on a company of this size.

9 Q. Do you know who at Great Plains Energy would have  
10 been involved with discussions with individuals at  
11 Aquila regarding Aquila filing a rate case in 2007  
12 in connection with the acquisition of Aquila by  
13 Great Plains Energy?

14 A. If there was such discussion, I would assume it  
15 would be Mr. Giles and his regulatory team.

16 Q. Are you familiar with the term "regulatory  
17 amortization"?

18 A. Yes.

19 Q. What does that term mean to you?

20 A. It is not unlike accelerated depreciation. It is  
21 an issue that arose amidst our discussions with a  
22 variety of people about how do we do the things  
23 that we needed to do. There was strong -- as we  
24 began to talk back in the 2002, 2003 time frame  
25 about construction of a new major asset, there was

1 a lot of conversation about how do we do this. I  
2 think for a decade you had seen mostly independent  
3 power producers build lower first cost plants, gas  
4 plants. And it was really kind of a new  
5 discussion at that point in time to think again  
6 about regulated utilities, building regulated  
7 assets in rate base. And the challenge for us was  
8 how do we walk that path successfully and meet all  
9 the demands of shareholders, bond holders of  
10 customers and what mechanisms might we use. And  
11 this was one that emerged from a lot of  
12 collaborative discussion. In fact I believe the  
13 staff had some significant input into those ideas.  
14 So it was born out of that discussion and was  
15 utilized in this process so that we could satisfy  
16 bond holders with the enormous investment that we  
17 were doing that we could have the cash flows  
18 during the course of the construction to give bond  
19 holders some certainty about their investment.

20 Q. Are you done with your answer?

21 A. I am.

22 Q. Are you familiar with Kansas City Power & Light  
23 Company's experimental regulatory plan in  
24 Missouri?

25 A. I am.

1 Q. Were you involved in the negotiations that led to  
2 that plan?

3 A. I was certainly involved heavily in the  
4 discussions that relate to that plan, yeah.

5 Q. Do you agree that the regulatory amortization in  
6 that plan is an element of an overall agreement  
7 between the parties to that plan to support  
8 defined positions and specified rate cases during  
9 the term of that plan?

10 MR. ZOBRIST: Let me just object. I  
11 think that is a bit vague and ambiguous, but  
12 you may answer.

13 A. I'm not -- could you repeat that question.

14 Q. (By Mr. Williams) I will try. Do you agree that  
15 the regulatory amortization in the Kansas City  
16 Power & light Company experimental regulatory plan  
17 is one element of an overall agreement between the  
18 parties to that plan to support defined positions  
19 and specified rate cases during the term of that  
20 plan?

21 MR. ZOBRIST: Devined positions?

22 MR. WILLIAMS: Defined.

23 Q. (By Mr. Williams) I am having difficulty  
24 speaking.

25 A. You are getting my cold. I think that this is a

1 tool. It certainly is an important tool when you  
2 are in major construction programs. It arose in  
3 those discussions. I don't know that it is  
4 limited to the definition of when it is there, but  
5 it is a tool to be used. I think largely it is  
6 going to be used during large capital construction  
7 programs. Or it could be used. I don't know that  
8 I limit it to the specific -- it happened to be in  
9 this discussion and in the collaborative plan that  
10 occurred, but it is a tool that can be used in a  
11 variety of ways.

12 Q. Was the Missouri Commission one of the parties to  
13 the Kansas City Power & Light Company experimental  
14 regulatory plan?

15 A. Yes.

16 Q. Did the Missouri Public Service Commission sign  
17 the agreement that forms the Kansas City Power &  
18 Light Company experimental regulatory plan?

19 A. I am trying to remember who signed. I think so.

20 Q. Do you draw a distinction between Missouri Public  
21 Service Commission and the Missouri Public Service  
22 Commission staff?

23 A. Do I draw a distinction? The staff is a part of  
24 the Commission. The commission is bigger than  
25 just the staff, but the staff is a part of the

1 Commission.

2 Q. How long have you been involved in regulated  
3 utility operations?

4 A. About 35 years.

5 Q. Are you aware of any instances where the  
6 Commission has the authority to impose upon  
7 parties positions that they must agree to in  
8 future rate cases?

9 MR. ZOBRIST: I just object to the  
10 extent that calls for a legal conclusion.

11 You may answer.

12 A. I am not equipped to answer that question.

13 Q. (By Mr. Williams) Do you know if Great Plains  
14 Energy or Kansas City Power & Light Company  
15 scheduled or tried to schedule any meetings with  
16 parties in this case to initiate a collaborative  
17 approach to develop a regulatory amortization for  
18 Aquila in connection with the acquisition of  
19 Aquila by Great Plains Energy?

20 A. No. Specifically this? I mean, I think we have  
21 attempted to have discussions. I don't know that  
22 those discussions have gone very far.

23 Q. Do you know who -- well, you said that you have  
24 attempted to have discussions?

25 A. The company.

1 Q. When you are referring to "the company," you are  
2 referring to Great Plains Energy, Kansas City  
3 Power & Light Company or both?

4 A. I am talking about Kansas City Power & Light and  
5 our regulatory team. Our legal team.

6 Q. Do you know who Kansas City Power & Light Company  
7 has approached with regard to discussions  
8 regarding the regulatory amortization?

9 A. I believe we have had some conversations with the  
10 staff.

11 Q. Have you had any conversations with any other  
12 parties?

13 A. No.

14 Q. Do you know when you had those discussions with  
15 the staff?

16 A. I don't remember specific dates, but it has been  
17 since we announced this, the entire effort.

18 Q. Did you personally engage in any of these contacts  
19 or attempted contacts?

20 A. I don't believe that I have had direct  
21 conversations with the staff personally.

22 Q. Who would have at Kansas City Power & Light  
23 Company? Who at Kansas City Power & Light Company  
24 would have had those contacts with the Missouri  
25 Public Service Commission?

1 A. Chris Giles, our vice president of regulatory, and  
2 Bill Riggins, our legal vice president and/or  
3 their staffs.

4 Q. Turning back to the Kansas City Power & Light  
5 Company experimental regulatory plan. As part of  
6 that plan did Kansas City Power & Light Company  
7 agree not to use a fuel adjustment mechanism as  
8 long as that plan was in place?

9 A. Yes, I believe that is correct.

10 Q. Do you know if Aquila has a fuel adjustment  
11 mechanism?

12 A. I believe they do.

13 Q. Do you know that if Great Plains Energy acquires  
14 Aquila whether or not it will continue to utilize  
15 a fuel adjustment mechanism for Aquila?

16 A. Ask that question again, please. Did you say if  
17 Great Plains acquires?

18 Q. If Great Plains acquires Aquila, will Aquila  
19 continue to use a fuel adjustment mechanism?

20 A. It seems to me it would still be possible given  
21 the nature of that. Certainly initially that  
22 would be the case since we are acquiring Aquila  
23 and will have KCPL and Aquila, you know, within  
24 the holding company structure. And because of a  
25 whole host of the reasons. I mean, there are a

1 whole host of complications that would be involved  
2 in immediately trying to have a single entity. We  
3 have elected to have these two. So I would think  
4 it would be consistent to continue the practices  
5 in each, with regard to the regulatory agreements,  
6 unless we otherwise reached some sort of  
7 settlement or agreement to the contrary.

8 Q. If Great Plains Energy acquires Aquila and the  
9 Commission imposes a regulatory amortization on  
10 the parties in Aquila's future rate cases, would  
11 Aquila agree to terminate its fuel adjustment  
12 mechanism?

13 A. I think that would depend on the negotiations at  
14 the time. If we got there and we were having -- I  
15 couldn't speculate at this point. There are a  
16 host of things that would possibly be considered.

17 Q. That might be a possibility?

18 A. Yeah.

19 Q. Do you know how many entities were competing with  
20 Great Plains Energy to acquire Aquila during the  
21 negotiations Great Plains Energy had with Aquila  
22 before it entered into the merger agreement?

23 A. I don't have a specific number. My sense was  
24 there were a number of interested parties that  
25 weeded out, and that got down to a small number

1 and ultimately to us.

2 Q. Do you know how Great Plains Energy determined the  
3 price that it was willing to pay for Aquila stock?

4 A. I think it was a complex set of analyses. I was  
5 not directly involved in developing that  
6 calculation. There are a whole host of factors  
7 that went into that number.

8 Q. Do you have any reason to believe Aquila was not  
9 attempting to achieve the highest and -- highest  
10 price and best terms for its stock during this  
11 process?

12 A. No, I don't.

13 Q. Do you know when Great Plains Energy began looking  
14 to acquire Aquila?

15 A. I believe that Aquila made known their interest in  
16 exploring a sale, a decision that their board had  
17 come to. I don't remember the specific date, but  
18 we would have been contacted in that process.

19 Q. Do you have any time frame that you can provide?

20 A. I don't remember the specific date that we  
21 started. It was -- I would be guessing. I can't  
22 remember the specific date.

23 Q. I am not asking for a specific date. Are we  
24 talking 2005, 2006, 2007?

25 A. I think it was 2005. I don't remember the date.

1 Q. Can you give the time of the year, spring, fall?

2 A. I don't remember. Maybe early in the year.

3 Q. I am going to hand you what has been marked as  
4 Exhibit Number 26. What is Exhibit Number 26?

5 A. It is a memo to the Board of Directors, Great  
6 Plains from Terry Basham, our chief financial  
7 officer.

8 Q. Have you seen that memorandum before?

9 A. I'm sure I have as a member of the board.

10 Q. Do you know what the date of that memorandum is?

11 A. It says July 19, 2006.

12 Q. Who is Mr. Basham?

13 A. He is the chief financial officer for Great  
14 Plains.

15 Q. Who supervises Mr. Basham?

16 A. Mr. Chesser.

17 Q. Let me have that exhibit and I will direct you to  
18 a particular provision in it. On Page 2 in the  
19 last paragraph, would you take a look at that. Is  
20 there a statement in there that regulators are  
21 extremely negative about Aquila's strategy and  
22 decision-making?

23 A. Yes.

24 Q. Do you agree with Mr. Basham's statement at least  
25 as of July 19, 2006?

1 A. That might have been a collective wisdom.

2 Q. Do you think that statement is still true today?

3 A. It might depend on who you talk to.

4 Q. Do you believe it is true today?

5 A. I think there are challenges for Aquila around  
6 these. And you've got a board that has made a  
7 decision. Their situation is challenging.

8 Q. I believe in that same paragraph there is a  
9 statement that "Regulators have openly inquired  
10 about the possibility of Aquila being acquired."  
11 Is that not correct?

12 A. Uh-huh. Yes, it is.

13 Q. Do you know what regulators have made that  
14 inquiry?

15 A. It says "are extremely negative." I mean, I have  
16 heard comments from staff, from a variety of  
17 places. This regulators includes all the parts of  
18 the Commission. I don't think the challenges -- I  
19 mean, the challenges have been the subject of  
20 speculation and comment by a wide variety of  
21 audiences.

22 Q. Before Great Plains Energy entered into  
23 negotiations with -- or final negotiations with  
24 Aquila to acquire Aquila, were there statements  
25 made by regulators regarding inquiries about the

1 possibility of Aquila being acquired by another  
2 utility?

3 MR. ZOBRIST: Are you asking him  
4 generally or if he -- if they were made of  
5 him?

6 Q. (By Mr. Williams) Generally.

7 A. Would you repeat that.

8 (The pending question was read.)

9 A. Not specifically that I am aware of.

10 Q. (By Mr. Williams) I want to turn your attention  
11 to the third sentence of the last paragraph on  
12 Page 2 of this memorandum.

13 A. Third sentence. "They openly inquire about a  
14 possible transaction"?

15 Q. Yes. Are they referring to regulators?

16 A. You know, I can recall the challenges that they  
17 faced. There was a lot of, particularly at a  
18 staff level, discussion about their problems and  
19 how might they be solved.

20 Q. When you are referring to they, are you referring  
21 to Aquila?

22 A. Yes.

23 Q. When you are talking about staff level, what  
24 staff?

25 A. Kansas, Missouri.

1 Q. You are talking about Public Service Commission  
2 staff?

3 A. Uh-huh.

4 Q. Can you identify any of the Missouri Public  
5 Service Commission staff that openly inquired  
6 about the possibility of Aquila being acquired?

7 A. I am just dealing off of, you know, secondhand  
8 smoke, if you will. Secondhand comments. So I  
9 don't have a specific name.

10 Q. Well, who relayed that information to you?

11 A. I think it was a general point of conversation  
12 that you would hear offhand from people. I can't  
13 remember any specific individuals.

14 Q. Are you talking about people at Kansas City Power  
15 & Light Company or other people?

16 A. Both.

17 Q. Do you know if anyone documented any of these  
18 inquiries?

19 A. No.

20 Q. On the top of the next page, the third page.  
21 There in the first paragraph there are stated a  
22 number of regulatory assumptions, are there not?

23 A. Right.

24 Q. Did you have any role in developing those  
25 regulatory assumptions?

1       A.    I think they are just that.  I think they are  
2            planning assumptions.  And they might have been  
3            numbers that were consistent with numbers that we  
4            might have used ourselves at the time.

5       Q.    Did you have any role in developing those  
6            assumptions?

7       A.    I think these were developed out of our financial  
8            modeling people.

9       Q.    Who would those financial modeling people have  
10            been?

11      A.    They would work for Mr. Basham.  His staff.

12      Q.    Do you know what the basis is for the assumption  
13            that Aquila would receive the same credit  
14            protection that KCPL receives through the  
15            amortization protection?

16      A.    Well, it is an assumption.  It is just that.  It  
17            is not any more than that.  So you have to start  
18            somewhere for the planning process and this was an  
19            assumption.  We probably ran a number of other  
20            models with different assumptions.  It was a  
21            starting point.

22      Q.    Is the amortization that is a part of Kansas City  
23            Power & Light Company's experimental regulatory  
24            plan part of a product of a collaborative process  
25            that resulted in that plan?

1       A.    I think we talked about that before, that it  
2            clearly was an idea that came out of those  
3            discussions on the comprehensive energy plan, as a  
4            tool that we might use.

5       Q.    And that plan was achieved through a collaborative  
6            process with input from all of the parties that  
7            ultimately signed on to that plan, was it not?

8       A.    In that particular case it was, yes.

9       Q.    Has Great Plains -- has K.C. Power & Light Company  
10            or Great Plains Energy engaged in any kind of a  
11            collaborative process to develop an agreement for  
12            a regulatory amortization for Aquila in this case?

13      A.    I think we have attempted to launch discussions.  
14            Those discussions haven't gone particularly far.

15      Q.    With whom have you attempted to launch those  
16            discussions?

17      A.    Staff.

18      Q.    Have you solicited any input from the parties to  
19            the Kansas City Power & Light Company experimental  
20            regulatory plan as to their opinions of the  
21            features of that plan as it has actually been  
22            operating?

23                   MR. ZOBRIST:  Let me object, vague and  
24                   ambiguous.

25      A.    Could you rephrase that.

1 Q. (By Mr. Williams) Have you solicited input from  
2 the parties to the Kansas City Power & Light  
3 Company experimental regulatory plan, as to what  
4 they regard to be the good and bad features of  
5 that plan?

6 A. I can tell you that we report out regularly on the  
7 results of the plan. We have a variety of  
8 mechanisms, I am thinking particularly of our  
9 energy efficiency work where there are parties  
10 overseeing components of the plan and regular  
11 feedback from that. We are in the middle of  
12 implementing it. And we report quarterly on the  
13 results to the Commission and the parties, the  
14 interested parties.

15 Q. But have you solicited input from those parties as  
16 to how they believe the plan is working?

17 A. I guess I suspect that we would get that input  
18 whether we solicited it or not. They are all a  
19 part of the collaborative agreement. We are  
20 living up to it and implementing it and reporting  
21 on it.

22 Q. I don't think you answered the question, though.  
23 Have you solicited that input?

24 MR. ZOBRIST: Well, let me object. I  
25 think you are being argumentative. You can

1 go ahead and tell him again.

2 A. I don't know that we have specifically gone out  
3 and said, "Is everything going all right?" We  
4 certainly are in front of the Commission regularly  
5 with regard to our rate cases that are a part of  
6 this plan and all of those parties are a party to  
7 those cases. There is usually a free flow of  
8 positions and opinions on things in those kind of  
9 cases.

10 Q. (By Mr. Williams) Looking at that first paragraph  
11 on the third page. There is an indication that  
12 "Response to the plan by regulators and its  
13 concepts will be critical to Great Plains Energy's  
14 final evaluation of the transaction." Do you know  
15 what regulators are being referenced in that  
16 passage?

17 A. I don't. He used it as a generic term. I am not  
18 sure if it is a specific individual in mind. I  
19 think it is generically used.

20 Q. Does that memorandum indicate that "Meetings with  
21 regulators will greatly impact the final  
22 evaluation of bid proposal that will be presented  
23 to Great Plains Energy's board"?

24 A. I think clearly if this had some sort of huge  
25 objection to some point that we had missed

1           totally, you know, it would have caused us to stop  
2           and think. I mean, just tremendous uncertainty  
3           when you start anything like this. Try to get as  
4           much input as you can and understand what the  
5           risks are. There are enormous risks of pulling  
6           anything like this off. And so, you know, I think  
7           what we are talking about here is, if we got a  
8           hell, no, there is no way, this is just totally  
9           out of bounds, that it would be kind of a signal.  
10          But the reality is, we had to take this on with a  
11          great deal of uncertainty moving forward and to  
12          the extent that we could minimize uncertainty, we  
13          would certainly like to do that.

14                 We also understand the rules of the game  
15          and final approval doesn't occur until long toward  
16          the end of the process. We have now spent months  
17          going through multiple approvals one step at a  
18          time. We are still in that process now and  
19          hopefully we will finish it sometime early next  
20          year. It is a long process with a lot of agencies  
21          and reviews involved.

22          Q.     Would the response provided by regulators have any  
23                  influence on the price that Great Plains Energy  
24                  would pay for Aquila's stock?

25          A.     No. My own impression of our assessment, that was

1 not the issue. Clearly that could be -- if  
2 Commissions don't approve it, that is a deal  
3 breaker. But I don't think that that's where you  
4 establish your price. And then we went through,  
5 as I said before, a complex process of evaluation  
6 on ultimately what that price would be. And there  
7 are a lot of factors involved in it.

8 Q. Were there in fact meetings with regulators?

9 A. I believe that we met just prior to announcing  
10 this deal. We met with commissioners in both  
11 Missouri and Kansas. Mike Chesser and I had  
12 meetings in which we briefed the Commissions on  
13 what we were about to do. And I believe that  
14 Chris Giles and his team did the same thing with  
15 staff members. This is obviously something you  
16 don't want to announce as a surprise. Our  
17 regulators have a strong proprietary interest in  
18 our organizations in announcing something like  
19 this. Without having previously talked to them it  
20 might not be viewed in the kindest of light. So I  
21 mean, we did go and brief them on the fact that we  
22 were heading in this direction.

23 Q. That was a single day of meetings that was held  
24 in, what, immediately before January of 2007?

25 MR. ZOBRIST: Immediately before

1 January?

2 Q. (By Mr. Williams) I'm sorry. I meant February.

3 A. It would have been -- whatever week we -- I'm  
4 having trouble on the timeline. I don't have it  
5 in my head. But whatever -- whenever the point in  
6 time was that we announced this publicly, jointly  
7 announced, went public with the deal, it would  
8 have been just prior to that. I can't remember  
9 the specific dates.

10 Q. That was the only time you met with regulators?

11 A. Yes.

12 Q. And how were those meetings done? Did you meet  
13 with all of the commissioners at one time or was  
14 there some process followed?

15 A. We met in the Commission offices and I think we  
16 met with individual commissioners one after  
17 another maybe. Talked with them briefly. May  
18 have had a couple together at one time. But it  
19 was one set period of time.

20 Q. What did you tell the commissioners?

21 A. We told them the particulars of what we were going  
22 to announce and why we were moving forward. Why  
23 we thought it was a good idea.

24 Q. When you say that you told them the particulars of  
25 what you were going to announce, what were those

1           particulars?

2           A.    That we would be announcing a three-way agreement.  
3                That we were going to be selling the gas assets to  
4                another company. Our focus was on the Missouri  
5                assets. The general outline of the deal and how  
6                it has turned out and what our focus was and how  
7                we thought we were going to pull this off. There  
8                were lots of complexities obviously in this  
9                separating and sorting out. Aquila had been  
10              through a period of time of selling off assets.  
11              It had a set of issues it had to deal with. We  
12              were in the midst of the comprehensive energy  
13              plan. We thought we could do this as well as  
14              that and we laid this game plan out as to how we  
15              were going to proceed.

16          Q.    Did you tell the commissioners that you were going  
17                to seek recovery of Aquila's actual debt?

18          A.    I don't believe that -- well, yeah, I guess there  
19                were some issues that we thought were important.  
20                I can't recall how much detail we might have  
21                gotten into specifics. We may have talked about a  
22                couple of fundamental principals we would be  
23                trying to do. It was way early in the process.

24          Q.    Which fundamental principals would you have been  
25                talking to them about?